Germany	DM2.20	Malaysia	Rin4.25	Switz	SFr2.40		
Greece	Dr120	Morocco	Dh6.50	Thailand	Bt50		
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.900		
Iceland	Ikr125	Nigeria	Naira10	Turkey	L500		
India	Rup15	Norway	Nkr10.00	UAE	Dh7.50		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,809 — Tuesday April 4 1989 — D 8523A

SOVIET UNION
Managers go back to school
Page 24

World News

UN set to back Pretoria account of Namibia raid

UN Security Council members were studying a report on the fighting in northern Namibia and were expected to confirm South African claims that guerrillas of the South West Africa People's Organisation (Swapo) breached the territory's ceasefire terms. Page 4, Swapo pays price, Page 24

Haiti coup threat

A crack army battalion linked to Sunday's abortive coup in Haiti has threatened on local radio to reduce Port-au-Prince to ashes if the government led by General Prosper Avril does not release its leader.

Chilean resignations

Head of the Chilean government's economic team resigned and President Augusto Pinochet ordered resignation of his 18-man cabinet. Page 24.

Gunboat battle

Gunboats blasted a Druze-controlled harbour in south Lebanon as Syrian and Christian gunners continued their artillery duel in Beirut. Page 4

Test for Rome

Italian Government headed by Mr Ciriaco De Mita faces a crucial test of its political nerve due to widespread protests against a new system of health charges. Page 3

Banking shutdown

All banking operations shut down in Argentina as new economic team led by Mr Juan Carlos Pugliese deliberated on measures to be announced today or tomorrow. Page 8

Nuclear talks

Israel agreed to reopen negotiations with Norway over inspection rights of its nuclear facilities, as Oslo renewed an attempt to find out if "heavy water" sold to Israel 30 years ago was used to make nuclear weapons. Page 2

Islamic votes gained

Candidates for Tunisia's largest radical Islamic party, the Parti de la Renaissance, won between 20 per cent and 30 per cent of the popular votes in some of the country's largest urban centres in Sunday's elections. Page 4

Boat people return

Second group of Vietnamese boat people expected to return voluntarily from Hong Kong to homes in Vietnam by the end of the month. Page 4.

Fresh Ulsan riot

Radical strikers battled riot police for the fifth day in protest against the storming of South Korea's biggest shipyard at Ulsan. Page 4

Customs traffic jam

Border traffic between Austria and Hungary was jammed for 70 km as more than 100,000 Hungarians used holidays to shop in Austria before tougher customs rules take effect.

Petrol attack kills 2

Suspected robbers sprayed four staff with petrol, burning two of them to death and critically injuring two others, during a £1,000 ($1,680) raid on an amusement arcade in London's Chinatown.

$4m stolen in Rome

Thieves stole more than $4m in cash and cheques over from a security company vault in Rome used by large department stores while banks are closed.

Business Summary

AT&T to lift stake in Philips joint venture

AMERICAN Telephone & Telegraph (AT&T), US telecommunications group, is to enlarge its stake in its Dutch-based telecommunications joint venture with Philips.

AT&T will increase its holding in Network Systems International (NSI), the joint venture it formed with Philips in 1984, from 60 per cent to 85 per cent by buying shares from its partner. Page 26

AIRBUS INDUSTRIE, European airliner manufacturing group, won another major order for its new A-330 twin-engined jet airliner. Cathay Pacific Airways, of Hong Kong, is to buy 10 aircraft with another 10 on option in a deal worth $2.2bn. Page 24

T. BOONE Pickens, Texas corporate raider, made an unexpected intervention in the Tokyo stock market, announcing that he had become the biggest shareholder in Koito Manufacturing, Japan's leading automotive lighting company and a close affiliate of Toyota Motor. Page 25

OVERALL cost of the Channel Tunnel project could increase by about £160m ($268m) if the Anglo-French contractors meet all of their new production targets and meet a revised completion date of June 15 1993, Mr Andre Bernard Eurotunnel's French chairman said. Page 11

BRITAIN moved back into strong contention for a C$8bn ($6.7bn) contract to supply Canada with a design for fleet of nuclear-propelled submarines. Page 11

BURGER KING, US hamburger chain acquired by Grand Metropolitan, UK food and drink group, is to cut non-restaurant staff by 550. Page 28

ELSEVIER, Netherlands' third largest publisher, has boosted 1988 earnings by 44 per cent, thanks largely to associated companies and investments. Page 26

FOUR leading Japanese banks have announced plans to set up and operate a MasterCard services network in Japan. Page 30

US Treasury bonds rose in the wake of the latest US purchasing managers' report which pointed to slower economic growth. Page 30

BENETTON, leading Italian casual clothes producer, said that profits had been hit by a steep drop in US sales during the opening months last year. Page 26

LINDE, West German industrial group which has bought Lansing Bagnall, UK fork lift truck company, performed better in the first two months of 1989 than expected. Page 26

CAR industry union leaders expect a full team of executives from Toyota, Japanese vehicle manufacturer, to arrive in the UK next week, to hold talks with unions about collective bargaining arrangements for the assembly and engine plants it plans to build. Page 10

SWILYNN International, Hong Kong magnetic tape maker which is planning a factory in the UK, is to gain a quotation on the territory's stock exchange after issuing equity to raise HK$105m ($13.5m). Page 27

AIRBUS Industrie, European airliner manufacturing group, is expected to take a decision on the development of a new, stretched version of the A-320 twin-engined jet airliner around the end of April or early May. Page 6

MMG PATRICOF, venture capital group, has raised an initial 135m Ecu ($347m) towards a fund ultimately intended to reach 300m Ecu, to finance management buy-ins in Britain and France. Page 8

Doubts emerge within hours of agreement on G7 debt communiqué

Industrial nations remain divided on debt and inflation

By Peter Norman and Peter Riddell in Washington

THE LEADING industrial nations remain divided about how to implement debt reduction for the Third World and about the gravity of current inflation trends.

Less than 24 hours after the Group of Seven (G7) leading industrial countries issued a communiqué broadly backing US ideas for debt reduction, it was clear that some European nations, including Britain and West Germany, have serious reservations about key elements.

Mr Nigel Lawson, the British Chancellor of the Exchequer, said he thought a majority of the G7 countries believed the new debt initiative should not involve any increase in public funding for the debtor nations.

He stressed that any support from the International Monetary Fund and World Bank for debt reduction schemes should be very modest.

Such debt reduction should act as a catalyst to voluntary debt reduction which should be negotiated between the debtor nations and their commercial banks.

West German monetary officials claimed the G7 statement contained safeguards to limit the transfer of risks from the private to the public sector.

They pointed out that the IMF and World Bank had been called on only to examine "limited" interest support for transactions reducing debt and debt servicing.

This aspect of the communiqué reflected concern by Mr Lawson and Mr Gerhard Stoltenberg, the West German Finance Minister, that the IMF and World Bank might be empowered to guarantee interest payments.

Senior US Treasury officials, however, said the communiqué embodied a lot of US thinking and that the qualified reference to debt service assistance was merely because it was a new idea that would take some time to work out in detail. Japan and France supported the US line.

Similar differences in emphasis have appeared over inflation.

In his speech to the IMF's policy-making Interim Committee yesterday, Mr Nicholas Brady, the US Treasury Secretary, said he did not believe a serious acceleration in inflation was underway.

But Mr Stoltenberg said high capacity utilisation, firm labour markets and continued strong demand growth had brought inflation closer to the surface. "This cannot be taken lightly," he said.

In their communiqué the G7 said all countries must pursue structural reforms which would help sustain non-inflationary growth.

They said that exchange rate stability over the past year had helped maintain global expansion.

On the dollar, they agreed that a rise "which undermined (current account) adjustment efforts, or an excessive decline, would be counter-productive." They also repeated their commitment to co-operate closely on exchange markets.

Following the statement, the Bank of Japan intervened to sell dollars yesterday for the first time in many years. European monetary officials said this action was in line with US wishes.

Sunday's meeting of the Group of Seven countries left many questions open about IMF and World Bank support for reducing Third World debt burdens.

The communiqué was notable for the absence of earlier warnings that there should be no transfer of risk arising from debt reduction from the private sector to tax payers of the industrialised countries.

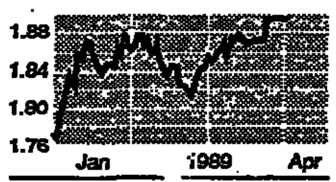
This omission by the G7 represented a set back for Mr Lawson, who had urged its retention.

Meanwhile a meeting of finance ministers and central bank governors from the Group of 10 industrial countries, which includes the seven plus the Netherlands, Belgium, Sweden and Switzerland, called on the IMF and World Bank to make study how they could assist in debt reduction.

IMF reports, Page 7

Sterling
Against the D-Mark (DM per £)

Dollar
Against the D-Mark (DM per $)



$ falls as G7 favours lower US currency

By Simon Holberton, Economics Staff, in London

THE DOLLAR was pushed lower yesterday after the Group of Seven leading industrialised countries indicated that they wanted a lower US currency and the Bank of Japan sold dollars for the first time since November 1985.

Analysts said the G7 communiqué, issued late on Sunday in Washington by the US, Japan, West Germany, Britain, France, Canada and Italy, was significant in that the G7 were seen as favouring a lower US currency.

The G7 said a "rise of the dollar" would be counterproductive to economic growth and the correction of trade imbalances, whereas the dollar's decline would have to be "excessive" for it to be harmful.

Analysts said this meant the G7 would welcome a fall in the dollar, short of an excessive one, while it would act to stop the US currency from appreciating further, probably through currency market intervention. Few, however, expect a steep decline in the dollar.

Mr Jeremy Hale, international economists at Goldman Sachs in London, said that private sector demand for the dollar was strong and that investors were keen to hold US assets. The high level of US interest rates relative to others around the world would also support the dollar.

But the Bank of Japan's intervention in currency markets – its first since it bought dollars last November – was

Markets, Section II

Continued on Page 24

Oil prices fall as Alaskan port reopens

By Steven Butler in London

OIL PRICES retreated sharply yesterday after the Alaskan port of Valdez fully reopened following the worst oil spill in US history.

Some 240,000 barrels of oil were spilt after the supertanker Exxon Valdez was grounded on a reef in Prince William Sound on March 24. The slick from the spill has now spread across almost 1,000 square miles.

The spill had reduced tanker traffic in the port and forced a severe reduction in oil flowing from Prudhoe Bay on the north slope of Alaska.

Alyeska Pipeline Service, operator of the Trans-Alaska Pipeline, said yesterday that throughput on the pipeline had been lifted from 800,000 barrels a day to 1.3m b/d, and would gradually be restored to its normal 2m b/d of capacity.

North Sea Brent Crude for April delivery dropped 70 cents a a barrel yesterday to close at $19.65 a barrel in European trading. At the New York Mercantile Exchange an early rally, which saw prices up by 48 cents a barrel to $20.67, was swiftly reversed on news of the port's reopening. The May futures contract, which had fallen sharply on Friday afternoon, was off 5 cents a barrel at $20.15 in midday trading.

The US Coast Guard reopened the port of Valdez as the last oil was pumped from the Exxon Valdez.

Tanker traffic in the port had been restricted to about one vessel a day compared with three or four normally.

The Coast Guard, however, has retained tighter regulations requiring each tanker to be escorted by two tugs. A fourth tug boat was yesterday due to arrive at the port, compared with two which were on duty last week, and was expected to allow normal traffic.

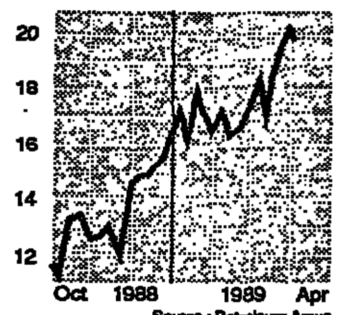
Oil prices rose to 17-month highs last week after Exxon and British Petroleum served notice that they would cut deliveries of Alaskan crude to US customers by declaring *force majeure* – constraints beyond their control – on contracts for Alaskan crude.

Prices, however, had already risen strongly in advance of the spill as a result of strong growth in demand for oil, production cuts by the Organisation of Petroleum Exporting Countries and accidents in the North Sea

● Opec ministers meeting in Vienna last week said they had been surprised by the strength in oil demand, and would likely raise Opec's production ceiling by between 1m and 1.5m b/d in the second half of the year if the trend continued.

According to the Middle East Economic Survey, an Opec report said demand for Opec oil would fall to 19.67m b/d in the second half of the year, compared to an average of 19.84m b/d in the first half.

Oil price
Brent Blend Crude ($ per barrel)



Source: Petroleum Argus

US reviews safeguards

MR William Reilly, head of the US Environmental Protection Agency, has launched a review of safeguards involving Alaskan oil development, including those involving potential drilling in the Arctic National Wildlife Reserve.

"We are going to take environmental planning completely apart for every aspect of Alaskan oil development and make sure it as sound and as careful as we can possibly make it," he said in Washington late on Sunday. The review was likely to focus on production and shipment as well as proposed exploration in the other wilderness areas and would be presented to President Bush within 30 days.

Meanwhile, Exxon yesterday apologised publicly for the Alaskan oil spill disaster. In advertisements aimed at countering criticism of Exxon's handling of the accident, Mr L. G. Raul, the company's chairman, said: "We cannot, of course, undo what has been done. But I can assure you that since March 24 the accident has been receiving our full attention and will continue to do so." Full report, Page 8

Lawson defends UK's deficit

Peter Norman, Economics Correspondent

MR NIGEL LAWSON, the UK Chancellor of the Exchequer, yesterday said that Britain was acting as a "harbinger" of economic developments elsewhere in the world.

He told the International Monetary Fund's policy making Interim Committee that the UK had faced many of the major structural changes of the 1980s ahead of other countries and in more pronounced fashion.

That had been the case with the recession of the early 1980s, the subsequent recovery and deregulation and supply side reform.

In this context Mr Lawson defended Britain's large scale current account balance of payments deficit as something that "could safely persist for some time provided that sound monetary and fiscal policies are pursued."

He said Britain's huge £14bn ($23bn) budget surplus made sense at a time when private sector investment was making increasing claims on the total savings of the main industrial economies.

"Those countries that continue to have large budget deficits do neither themselves nor anyone else any favours," Mr Lawson said. "Indeed it can be argued that in present circumstances any budget deficit is unwelcome."

Mr Lawson's remarks appeared to be addressed primarily at the US. Officials from other Group of Seven countries reported earlier that the Chancellor had been especially critical of the large US budget deficits in Sunday's G7 meeting.

Continued on Page 24

Recruit scandal shows signs of disrupting Japan Government

By Ian Rodger in Tokyo

THE JAPANESE Government is finally showing signs of being seriously disrupted by the Recruit political financing scandal, and political analysts in Tokyo say the paralysis is likely to get worse before it gets better.

"Nothing of any significance is being done," an aide to a senior parliamentarian said yesterday. Policy committee meetings of the ruling Liberal Democratic party have been cancelled and politicians spend most of their time trying to find out what, if any, developments in the Recruit case are emerging, the aide added.

Last week, Mr Tatsu Murayama, the Finance Minister, cancelled a trip to Washington as head of the Japanese delegation to meetings of the International Monetary Fund, the World Bank and the G7 group of finance ministers from leading industrialised countries.

As Japan was expected to be at the centre of discussions on financing a plan to reduce developing country debts, a minister's presence was needed, and senior Japanese government officials made no secret late last week of their disappointment at the decision.

However, these days Mr Murayama – like all the ministers in the battered cabinet of Prime Minister Noboru Takeshita – must stay close to home in case some new eruption in connection with the Recruit affair further complicates their tasks.

According to reports in Tokyo yesterday, the public prosecutor's office is about to start questioning politicians alleged to have either directly or indirectly purchased shares of Recruit Cosmos, a subsidiary of the Recruit publishing group, on advantageous terms before their flotation on the stock market in October 1986.

Among the 17 politicians said to have been named are Prime Minister Takeshita, former prime minister Yasuhiro Nakasone and several current cabinet members and top LDP officials. Analysts believe the prosecutor is mainly interested in finding out about Mr Nakasone, since he was prime minister during the period Recruit was making attempts at buying influence.

Other former Cabinet ministers may be at risk if it can be shown that they used their authority to help Recruit or its former chairman, Mr Hiromasa Ezoe, in return for the opportunity to buy the Recruit Cosmos shares.

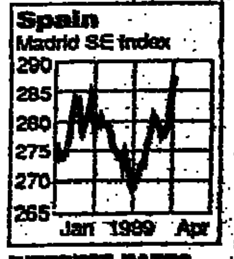
The Diet (parliament) has become paralysed because the Opposition parties are refusing to co-operate in the passage of the Government's budget unless it agrees to summon Mr Nakasone to testify about the Recruit affair.

Mr Sosuke Uno, the Foreign Minister, said yesterday he was concerned that Japan might

Continued on Page 24

MARKETS

Spain
Madrid SE index



INTEREST RATES
US lunchtime
Federal Funds 9 13/16% (10)
3-mth Treasury Bills: yield: 9.105% (9.18)
Long Bond: 98 1/8 (97 3/4)
yield: 9.013% (9.09)
London
3-month interbank: close 13 1/8% (13 1/4)

STERLING
New York lunchtime
$1.6850 (same)
London:
$1.6860 (1.6860)
DM3.1725 (3.1975)
FFr10.7100 (10.7925)
SFr2.7775 (2.8050)
Y222.75 (2.8060)

DOLLAR
New York lunchtime:
DM1.88275 (1.8965)
FFr6.3510 (6.3920)
SFr1.64675 (1.6620)
Y132.175 (132.70)
London:
DM1.8820 (1.8940)
FFr6.3325 (6.3940)
SFr1.6480 (1.6610)
Y132.05 (132.45)

GOLD
New York latest
Comex June
$391.0 (390.0)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av. 2,310.48 (+18.88)
S&P Comp 296.38 (+1.71)
London:
FT-SE 100 2,079.6 (+4.8)
World:
142.34 (Fri)
Tokyo
Nikkei Ave 33,042.07 (+203.36)
Frankfurt
Commerzbank 1,569.7 (+22.8)

OIL
Brent 15-day (Argus) $19.65 (-0.70) (April)
West Tex Crude $20.175 (-1.05) (May)

CONTENTS

Testing the strength of the ties that bind

For reasons ranging from defence to demography, the French are again worrying about the West Germans. These preoccupations will be just below the surface when Chancellor Kohl (left) meets President Mitterrand today Page 22

EUROPEAN NEWS

Swedish industries' investment in EC rising sharply

By Robert Taylor in Stockholm

SWEDISH industries are sharply increasing investments in the European Community. Last year Swedish net investment in the EC – of which it is not a member – rose by just over 110 per cent to SKr22.4bn (£2bn), nearly 70 per cent of the country's total foreign net investment of SKr32.6bn in 1988, according to figures published by the Swedish Central Bank yesterday.

However, the pattern of Sweden's net investment in the EC indicates that companies are taking a highly selective approach with the Netherlands, Britain and France as the main beneficiaries, accounting for three fifths of the total figure.

The financially liberal atmosphere in Holland produced a sharp rise in Swedish investments in 1988, up to SKr7.6bn from only SKr0.7bn in the previous year.

Swedish investment in Britain more than doubled, going from SKr2.6bn in 1987 to SKr5.3bn last year, while in France there was a trebling in the level of net investment, with a rise from SKr1.1bn to SKr3.6bn over the same period.

Surprisingly, West Germany, though still Sweden's biggest European trade customer, experienced a sharp drop in Swedish net inward investment with a fall from SKr2.6bn in 1987 to only SKr0.4bn last year, lower even than the size of Swedish investments in Italy and Spain.

The pattern of Sweden's investment flow overseas also appears to indicate a relative decline in the importance of the US. In 1987 the level of net investment from Sweden there amounted to SKr4.0bn but last year it fell to SKr2.7bn, lower than the size of the investment in Britain.

The Central Bank statistics for the 1980s underline the enormous acceleration in the pace of Swedish outward investment in what have turned out to be boom years after the relative stagnation of the 1970s.

In 1982, for example, total net investment abroad only amounted to SKr6.1bn, less than a fifth of last year's figure, with a mere SKr2.7bn going into the EC.

The gross investment figures are even more striking. Seven years ago Sweden's gross investment abroad was only SKr6.9bn, but in 1988 it reached a total of SKr44.5bn.

Hard rouble under consideration by top Soviet economists

Moscow may introduce second currency

By Quentin Peel in Moscow

SOVIET ECONOMISTS are considering the introduction of a second currency, a hard rouble, to accelerate the process of making the rouble convertible, one of Mr Mikhail Gorbachev's top economic advisers said yesterday.

Mr Abel Aganbegyan, head of the economics branch of the Soviet Academy of Sciences, said the plan would depend on negotiations with Western banks on how to guarantee the value of the new unit, and how to limit its issue.

It would be backed by a combination of gold and foreign currency reserves, and by existing exports.

At the same time, Mr Aganbegyan gave the most enthusiastic presentation yet of Soviet hopes to join the leading organisations of the international economic community, including the General Agreement on Tariffs and Trade, the International Monetary Fund and the World Bank.

He spelt out the prospects for Soviet re-integration into the world economy at a news conference in Moscow, following a meeting of top international economists organised by the Institute for East-West Security Studies.

Mr Aganbegyan forecast that the traditional path to full convertibility of the rouble would take 7-10 years, before which it was necessary to ensure the "internal convertibility" of the currency within the Soviet economy. That meant saturation of the market with consumer goods to end shortages, the creation of a capital market for free circulation of bonds and securities, and the creation of an internal currency market.

Each of those tasks represents an enormous challenge to the economy, starting from scratch. However, Mr Aganbegyan, one of the half-dozen academic economists closest to the Soviet leader, said a second strategy would be the early introduction of a parallel rouble devoted entirely to foreign trade and capital transactions – on the lines of the gold chervonets (Rouble10) introduced during the new economic policy of the 1920s.

In addition to being used to settle external trade transactions, the hard-currency rouble could also be used as the means of exchange in the Soviet Union's proposed special economic zones, he said.

These were intended to be not merely geographical zones – the Soviet-Finnish border, and the Far East region have been earmarked as the first sites – but also "technopolises" could function in the same way.

As for the Soviet Union's hopes to rejoin the international economic institutions, he said that the Gatt was the most urgent, because the Soviet Government wished to take part in the new round of trade and tariff negotiations.

However, he also expressed much greater enthusiasm about the IMF and the World Bank than other top Soviet officials, saying that the country could not afford to be left out of the debate on the future development of the world economy, and tackling the international debt problem.

"Co-operation with these organisations is absolutely self-evident," he said. "I do not have any doubts about the necessity of being a member of these organisations.

"We are ready to begin negotiations on the terms of the Soviet Union joining these organisations, but it will not be an easy process. It not only depends on us, but on the attitude of leading Western countries, and most of all the US."

UK wants wider human rights forum with Soviet Union

By Philip Stephens, Political Editor

BRITAIN PLANS to step up pressure on the Soviet Union to improve its human rights record by calling for a new forum in which alleged breaches of basic freedoms can be discussed openly.

The plan, which will be put to Mr Mikhail Gorbachev his visit to London later this week, is for an overhaul of the present twice-yearly meetings between the two countries on human rights cases. These are conducted in private by foreign ministry officials, but Britain wants the delegations broadened to include MPs, representatives from independent pressure groups, lawyers and psychiatrists.

That would raise the public profile of the meetings and, in Britain's view, intensify pressure on Moscow to respond to Western concerns.

Sir Geoffrey Howe, the UK Foreign Secretary, plans to press the issue in his planned meeting with Mr Eduard Shevardnadze, his Soviet counterpart, on Thursday. He would like the new format introduced in time for the next bilateral meeting in Moscow in the autumn.

Both Mrs Thatcher and Sir Geoffrey are expected to emphasise this week that they are still concerned to see significantly more progress in the Soviet Union to enhance human rights.

In particular, they will emphasise their concern that Mr Gorbachev should further relax emigration rules, free all remaining political prisoners and enshrine basic freedoms in legislation. Britain has made such progress conditional on its attendance at a planned international conference on human rights in Moscow.

Sir Geoffrey also plans to raise a number of individual cases of alleged breaches of human rights with Mr Schevardnadze.

Soviet officials have made it clear, however, that Mr Gorbachev and Mr Schevardnadze are ready to respond to such criticisms with their own attacks on Britain's record.

Martens: deft politician

Low key celebration of 10 years at the top

By David Buchan in Brussels

MR WILFRIED MARTENS, the smiling, inscrutable Cheshire Cat of Belgian politics, yesterday celebrated the 10th anniversary of the day he first took over as Prime Minister.

An eight-month break as Premier in 1981 means that he has to share European honours for political longevity with Mrs Margaret Thatcher, who chalks up an uninterrupted 10 years at Downing Street next month.

But even as a feting of a collective nine years and four months in power, yesterday's celebration – an overcrowded lunchtime cocktail party in a government-run suburban chateau – was suitably low key for a man who has become a byword for political phlegm and compromise.

Perhaps with a certain lady in mind, Mr Jacques Delors, the European Commission president, yesterday praised the Martens sense of compromise as something that Europe could use more of.

Staying at the top of the greasy pole of Belgian politics has required a cat-like political balance from Mr Martens, who now leads his eighth coalition government since April 3, 1979. He may have made some recent foreign policy blunders, such as in relations with Zaire, or with the UK in refusing to extradite an alleged terrorist last year. But neither incident has shaken his seemingly sure domestic political touch.

He has presided over devolution of considerable power to the country's three regions, and stayed almost as popular in French-speaking Wallonia and linguistically-mixed Brussels as in his native Flanders.

At a mere 52 years of age, and with his Flemish Christian Democrat CVP party the largest single piece in the Belgian political jigsaw, Mr Martens could probably go on for another 10 years – if, that is, he has the stamina for another eight coalitions.

"European work attracts me a great deal," he said last week in an interview. Perhaps he was putting down a marker that he might like Mr Delors' job in a couple of years' time. On that score, at least, he will not have competition from Mrs Thatcher.

Walesa in last-minute negotiations

By Christopher Bobinski in Warsaw

MR LECH WALESA, the Solidarity leader, met Gen Czeslaw Kiszczak, the Polish Interior Minister, yesterday, in a private attempt to reach agreement at the end of the round-table talks between the Government and opposition groups.

On the political front, Solidarity is pressing for the projected, democratically-elected, senate to be given a say over future legislation passed by the parliamentary lower chamber.

On the economy, wage indexation continues to be a stumbling block, with the official OPZZ unions saying they will refuse to sign a final agreement unless the Government agrees to make up fully the fall in incomes due to price inflation. Solidarity has agreed to settle for wage rises to meet 80 per cent of the price rises caused by inflation.

Solidarity also hopes to get compensation for activists who lost their jobs in 1981 under martial law, as well as an official re-examination of the decision last autumn to close the Gdansk Lenin shipyard. The only part of the round-table package thus uncontested is the agreement to restore Solidarity to its former legal role.

● Poland's national bank yesterday devalued the zloty against the US dollar by 4.6 per cent setting the new zloty rate at 600. This is the second devaluation this year, and the zloty has fallen by some 20 per cent

Israel, Norway to reopen nuclear inspection talks

By Hugh Carnegy in Jerusalem and Karen Fossli in Oslo

ISRAEL yesterday agreed to reopen negotiations with Norway over inspection rights of its nuclear facilities, as Oslo renewed an attempt to find out if "heavy water" sold to Israel 30 years ago was used to make nuclear weapons.

A compromise agreement allowing Norway limited inspection rights was initialled last June, but never ratified, as pressure grew on the Norwegian Government to get to the bottom of the matter.

Israel has now agreed that technicians from both sides should discuss changes to the agreement in an effort to find a solution.

Mr Thorvald Stoltenberg, the Norwegian Foreign Minister, said he was "not discouraged" by the Israeli response. After discussing the issue with Mr Moshe Arens, the Israeli Foreign Minister, he said he was pleased that the Israelis were prepared to continue talks "on the basis of the 1959 agreement".

Under the agreement, Norway sold Israel 20 tonnes of heavy water – which contains deuterium oxide, a key ingredient for nuclear weapon-making – on condition it was used only for peaceful purposes.

In 1986, concerned by a growing belief that Israel had become capable of making nuclear arms, Norway demanded inspection facilities to check whether the terms of the 1959 deal had been broken.

The heavy water shipment is believed to have ended up at Israel's secret Dimona nuclear reactor in the Negev desert, where plutonium can be produced. Norway became concerned about the shipment in 1986, after an Israeli technician at the Dimona plant told the British Sunday Times newspaper that Israel produced up to 200 nuclear bombs in 20 years.

Israel, which has always jealously guarded its nuclear secrets, at first refused and remains reluctant to make concessions on the issue.

Thousands protest at Hungarian dam

THOUSANDS of Hungarians yesterday waved banners and chanted slogans at the site of a controversial hydroelectric dam being built with Austrian finance and expertise, Reuter reports from Nagymaros.

Opponents of the Nagymaros dam say the project will destroy unique wildlife and landscape, pollute the drinking water of millions and be economically senseless.

The dam, twinned with one at Gabcikovo in Czechoslovakia, has been described as "a cow which grazes in Hungary and is milked in Austria".

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd. Ostergade 44. Copenhagen. DENMARK

De Mita digs in for fight over health changes

By John Wyles in Rome

THE ITALIAN Government headed by Mr Ciriaco De Mita faces a crucial test of its political nerve in the coming days. It faces widespread protests against newly introduced health service charges which is a key element in latest attempt to control public spending.

Since their adoption just before Easter, criticisms and protests have rained down on the measures proposed by the Government for cutting this year's budget deficit by L12,100bn (£5.1bn).

The Republican Party, a junior coalition member, has labelled them "totally inadequate", a judgment shared by industrialists represented by Confindustria, while the unions are mounting a variety of protests.

The fiercest popular reaction is focused on new health service charges which include, for the first time, a L10,000 (£4.25) a day charge for periods in hospital. Prescription charges have risen from 20-30 per cent of the cost of medicines, while an ordinary X-ray will cost L10,000, a dental X-ray L30,000 and specialist treatment L25,000. The measures will yield an estimated L2,600bn this year and L3,500bn next.

Newspapers in recent days have been filled with graphic stories of pensioners being turned away from hospitals because they cannot pay for treatment and of confrontations between harassed, ill-prepared hospital administrators and patients refusing to part with their money.

The measures carry the hallmarks of hasty preparation and lack of forethought for which Mr Carlo Donat Cattin, the Christian Democrat Health Minister, is bound to be held primarily responsible. Hospitals and health centres are lacking facilities for handling cash and, in many cases, claim to be unaware of their full range of new responsibilities.

While intended to ration health treatment through a charging mechanism, the measures could, in fact, increase health spending. A doctor at a Rome hospital told the Financial Times yesterday that she and her colleagues were being inundated by demands for hospital beds from outpatients because a few days in hospital, with free medicines, will work out cheaper in many cases than the prescription charges.

For both practical and political reasons, the measures looks certain to be changed radically by Parliament when the Government seeks to convert its decree into law. This will accelerate the haemorrhaging of the coalition's political authority which Mr De Mita cannot halt because he is by nature incapable of withstanding pressures to compromise.

He wrote in La Repubblica newspaper recently that he was determined to defend his package, while conceding that "it may contain a certain measure of errors."

Unless he can bring more conviction to his policies and cohesion to his coalition, Parliament looks certain to weaken their financial impact in a process which is likely to see his Government fall after the European Parliament elections in June.

Hungary reopens the doors of its closed economy

Leslie Colitt on the relaunch of the bourse in Budapest and the expectations of financial perestroika

BUDAPEST may sound more like wine, women and song to international investors, but later this year a site will be chosen for the first fully fledged stock exchange in Eastern Europe.

The Budapest bourse, undoubtedly the most spectacular of Hungary's economic reforms, will open its doors for trading more than 40 years after the old exchange was shut down by the Communists.

A stock market may seem somewhat esoteric in a country where major companies are state-owned and inflation-plagued citizens are barely able to make ends meet.

But the reform-minded Hungarian leadership realises that without a bourse there can be no functioning securities market and without this no capital market, a sine qua non of the market economy it aims to achieve.

A stock market could become a driving force toward replacing bureaucratic economic behaviour with the managerial-type behaviour of a market-oriented system. But it could also become a symbol of the growing gap between Hungary's haves and have nots.

Until now, Hungary has had only a fledgling bond market created by banks and financial institutes with trading taking place only once a week. Most of the issues are fixed interest bonds, the interest on which is subject to 20 per cent tax.

After a spectacular take-off in 1984, the bond market failed to grow last year because of high inflationary expectations. Inflation last year of 17 per cent is not expected to drop this year and no decision has yet been reached on whether to establish a market for index-linked bonds.

The authorities hope the bourse will act to stimulate the Hungarian propensity to save by attracting some of the estimated $7.5bn in unused capital kept in Hungarian homes.

Mr Lajos Bokros, an executive of the Hungarian National Bank who is one of the seven members of the Stock Exchange Council headed by Mr Zsigmond Jarai, noted that despite its small turnover the Budapest bourse would be to evaluate the success or failure of a company.

"Until now we had no independent way of proving whether a company was good or not. It was always up the the government to decide this," Mr Bokros said. The Council has been drafting regulatory and supervisory laws for the Budapest Exchange and has been offered advice by stock exchanges in several Western countries.

A loan from the World Bank was obtained in order to buy needed data processing equipment and last December the Hungarians signed a cooperation agreement with the London Stock Exchange giving them access to the statutes of the London Exchange and help in exchange trading.

The Budapest Stock Exchange will use both electronic and face-to-face trading on the floor in order to learn the behaviour of dealers and jobbers. Whether non-bank participants will be accepted is still being debated but Mr Bokros said is in favour of foreign brokerage firms coming in.

The question has been raised by some sceptics in Budapest whether Hungary might not be better off without a stock market and instead depend on the commercial banks to finance industry as was the tradition in Germany?

Mr Bokros replied by noting that Hungarian commercial banks were not independently owned and that their managers were appointed by political decision and "behave like bureaucrats and not bankers. They were not obliged to heed shareholders who in turn were often state-owned companies. "You have a 40-year-old monopolistic-type economy and we cannot invent independent owners. This is why a stock market is more important than in West Germany," he explained.

A new company law which went into effect last month provides for joint stock companies to be established and for state enterprises to be transformed into stock companies. The first new joint stock company with mainly private shareholders was the colourfully named firm Radius Hungaricus set up in Szombathely in Western Hungary.

Hungarian bond dealers (above) prepare for a change of bourse

The company's activities cover industrial production, health services (dental clinics for persons paying in hard currency), sale of works by Hungarian artists and the publishing of new business periodicals.

Shareholders have been promised a fixed annual dividend of 25 per cent. A Viennese medical equipment company which took part in the founding meeting said it wanted to acquire a sizeable stake in the firm which is also planning to offer shares in Western Europe and aims to achieve a turnover this year of $18.4m. Such firms with Western capital are expected to play an increasingly active role in the economy.

Skala-Sztrada, a subsidiary of Hungary's aggressive cooperative retail chain, became the first established firm to issue shares which could be purchased by private persons. Stocks worth $92,250 were issued and the first dividends – expected to be between 10 and 14 per cent – will be paid in March 1990. A headline in a Budapest newspaper noted drily "Hungarians can clip coupons again."

W German recycling is a burning issue

By David Goodhart in Bonn

WEST GERMANY'S ecology-conscious citizens, who drop more of their rubbish into public recycling containers than almost any other country in the world, have been dismayed to hear that less than 3 per cent of the glass, paper, plastic and tin is in fact recycled.

A television programme claiming that the household rubbish recycling business is largely fraudulent, and that most of the potentially recyclable material is simply carted off to incinerators, or worse still to Hong Kong, has stirred up an angry dispute between environmentalists and the Environment Ministry.

Mr Klaus Toepfer, the Environment Minister, described most of the claims in the ARD network Panorama programme as absolutely false.

The ministry has produced detailed statistics to try to convince citizens that their assiduous recycling – which involves either setting aside rubbish for special collections or making a trip to the local recycling container – is not in vain.

Mr Toepfer, for example, claims that more than 20 per cent of recyclable household rubbish ends up being re-used despite the fact that the figure of less than 3 per cent comes from an office of his own department in West Berlin.

The Bonn ministry also states:

● Paper. About 43 per cent of all paper, packaging and cartons produced in West Germany are made out of recycled paper. And, out of that, 5m tonnes of recycled paper 1.65m now comes from private households.

● Glass. About 98 per cent of all West German citizens are within easy reach of a container for glass recycling (the most common variety).

The ministry says that in 1987 1.25m tonnes of recycled glass was used – amounting to 40 per cent of new glass production. Recycled glass formed 90 per cent of the raw material for green glass production.

● Plastic. The ministry admits that although 1.1m tonnes is collected from households it is very difficult to recycle any because the mixture of different kinds of plastics is too various.

● Metal. Here too the ministry admits limited success in recycling largely because of lower raw material prices.

Mr Bernt Michels, the television reporter who made the programme, says the ministry has manipulated the statistics and in most cases failed to distinguish between the recycling of industrial rubbish and household rubbish.

He said that the inability of local authorities to sell much rubbish for recycling was a problem of prices and quality.

Because of relatively low prices for new glass or paper the value of the recycled materials is too low to make it worth the local authorities bothering.

However, the Federal Recycling Association says that the programme is out of date and that problems of excessively low prices acting as a disincentive to recycling are now in the past.

The public seems more inclined to believe the programme-makers. Mr Michels says they have received thousands of letters from anxious viewers wanting more details or asking how they can best protest.

The television journalists are also determined to have a last word – a follow-up programme is in preparation.

POLLUTION FEAR: A tanker carrying 1,200 tonnes of oil lies aground in the river Rhine near Oppenheim in West Germany. A split amidships in its hull has raised fears its cargo may escape causing widespread contamination in Europe's busiest river

Turkish ambassador recalled in Tehran row

By Jim Bodgener in Ankara

TURKEY has recalled its ambassador from Tehran in the latest round of its dispute with Iran over the prohibition of Islamic-style headscarves for women in Turkish higher education institutions.

Turkey's move followed a provocative statement against the headscarf ban to the Turkish press last week by the Iranian ambassador – a statement he subsequently denied. Co-ordinated protests broke out all over Turkey after Friday prayers following the Constitutional Court's annulment last month of a decree permitting the headscarves.

A Turkish Foreign Ministry official said yesterday that if the perceived interference in Turkey's internal affairs continues the country would respond appropriately.

Friction over permitted Islamic practices has always clouded relations between the secular Turkish state and Iran's proselytising theocracy.

● Meanwhile, bomb attacks on British targets and three big companies in Turkey have raised the spectre of escalating violence after a series of political setbacks have weakened its centre-right government, Reuters reports.

A British embassy car and a building of the British Council in Ankara were damaged by bomb explosions on Sunday night when the offices of three Istanbul companies were also bombed and slightly damaged. No one was injured in any of the attacks.

The Istanbul explosions were later claimed by the far left Dev-Sol (Revolutionary Left) group, active before the 1980 army coup.

OVERSEAS NEWS

UN set to back Pretoria account of Swapo raid

By Michael Holman, Africa Editor

UN Security Council members were last night studying a report on the fighting in northern Namibia expected to confirm South African claims that guerrillas of the South West Africa People's Organisation (Swapo) breached the territory's ceasefire terms.

Western diplomats yesterday broadly corroborated Pretoria's account of circumstances which led to fighting in which over 120 Swapo guerrillas and 20 security force members have died.

The South African government pressed home its advantage, releasing the text of a letter from Mr Pik Botha, the Foreign Minister, to Mr Javier Pérez de Cuéllar, the UN Secretary General, setting out Pretoria's allegations.

Between 600 and 800 heavily armed guerrillas crossed the border during the night of March 31 and on April 1, according to the letter.

Some 4,000 to 5,000 guerrillas were south of latitude 16, it continues, in "clear violation of agreements reached between South Africa, Cuba and Angola." Under the ceasefire terms, Swapo forces were to have pulled back north of latitude 16, around 150 miles from the Namibian-Angolan border.

Speaking in Cape Town last night, Mr Botha, called on the Security Council to condemn the Swapo incursion. He held out the possibility that Pretoria might suspend the Namibian transition, but Western diplomats said that this was unlikely.

Mr Sam Nujoma, the Swapo leader, yesterday denied that guerrillas had crossed into Namibia.

They "were starting to regroup themselves and waited for UN forces to confine them to their bases," he said in the Zimbabwe capital of Harare. "Swapo is dismayed and shocked. The very forces against which we asked Untag (United Nations Transition Assistance Group) to protect our people have once again killed...we expect an explanation from the Secretary-General," Mr Nujoma told African and European parliamentarians.

Another Swapo official, Mr Hidipo Hamutenya, speaking from Swapo's headquarters in the Angolan capital of Luanda, appeared to acknowledge that some guerrillas had moved south.

"The fighting started in Namibia," he said, but added: "It is possible that our men asked for reinforcements."

This suggested that Swapo units were within easy reach of the border, and not 150 miles north, as requried.

Mr Hamutenya said Swapo was ready to order its guerrillas to stop fighting if South African forces did the same.

Western diplomats confirmed yesterday that Pretoria had presented intelligence reports to a meeting in Havana, Cuba, over a week ago of the Joint Monitoring Commission which comprises representatives of Angola, Cuba, South Africa, the United States and the Soviet Union.

The reports gave details of Swapo units who were moving south towards Namibia, apparently with the intention of crossing into the territory and setting up bases. South African diplomats say that the guerrillas intended to assemble under UN protection, having first buried their weapons.

If the unofficial accounts of the report's findings are correct, they will be seen as vindicating the decision of UN officials to deploy units of the South African army in support of monitoring operations on the Namibia-Angola border.

The report was drawn up at the request of Mr Martti Ahtisaari, the UN representative in Namibia, who sent investigators to the scene of the fighting.

The outcome leaves the UN force responsible for monitoring the Namibia's seven month transition to independence elections dependent on the territory's police force and the South Army to maintain law and order.

The transition will be monitored by 4,650 UN soldiers and 500 police, but under one thousand have arrived so far.

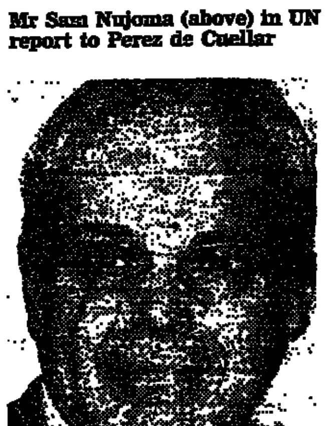
Although some members of the 15 member Security Council are likey to criticise the this development, the decision to sanction South African retaliation it appears to have been endorsed by the Soviet Union and the two other key countries involved, the United States and Great Britain.

It was not known last night whether there will be a formal meeting of the council, chaired this month by Mr Aleksandr Belonogov, the Soviet Ambassador.

For the first time in the Namibian conflict, Pretoria is not being treated as the guilty party.

After a potentially disastrous start, senior Western diplomats believe that the settlement plan can be followed to a conclusion, although they fear further breaches of the settlement terms by both sides.

Mr Sam Nujoma (above) in UN report to Perez de Cuellar



Australian economy registers 4.2% growth

By Chris Sherwell in Sydney

THE Australian economy grew 4.2 per cent in calendar year 1988, underscoring the tricky balance which must be struck by the Labor government in its important announcement next week on tax cuts and wage claims for the fiscal year beginning in July.

The growth figure, published yesterday by the Bureau of Statistics, confirmed the continuing surge in domestic demand, and in particular of capital investment, chiefly as a result of the country's sharply improved terms of trade.

Although the government has progressively tightened monetary policy, the buoyancy is thought to be continuing, and highlights the risks of allowing a further stimulus through tax cuts and pay increases, especially when the country is already heading for a record current account deficit.

But after years of wage restraint, the trade union movement is pressing a claim for a A$20 per week tax cut and a A$30 per week pay increase – equivalent to 7-15 per cent, depending on how the calculation is done. Employers say the claim, if agreed, would be inflationary.

The next step comes on April 12, when Mr Paul Keating, the federal Treasurer, unveils the details of his promised "wage-tax trade-off" in a special parliamentary statement. In a television interview at the weekend, he insisted that the trade-off had to go ahead because the alternative – what he called a wage explosion, inflation and then recession – was worse.

But he added that pay increases in 1989-1990 should not accelerate beyond the six-and-a-half per cent rate expected for 1988-89. He said they should not come into effect until some time after the financial year commenced.

On the tax cuts, he added that these would be directed at middle to low income earners. The top rate of 49 per cent would not be changed, even though it was substantially above the 39 per cent corporate rate.

In a statement on yesterday's growth figure, Mr Keating pointed to the dramatic increase in the country's terms of trade and the hefty increase in business investment, and repeated his past insistence that the government had put in place appropriate policy measures to address these pressures.

Domestic demand in the current fiscal year is expanding at a rate of 6 per cent, and the overall figure for GDP growth for the year is expected to be around 4 per cent – half a point more than projected in last August's budget. The difference is being met by imports, reflected in the ballooning current account.

On the fiscal front, the federal budget surplus this year is expected to come in at around A$6bn, some A$500m greater than originally projected and leaving room for the tax cuts.

This surplus is smaller than predicted, but gains springing from higher tax collections in some areas have been offset by reductions in others.

A partner is the key to investor's dance

Personal contact is usually the road to success, writes **John Murray Brown** in Jakarta

THERE are three golden rules. Get yourself a good partner, get yourself a good partner and get yourself a good partner.

This is the advice of one Jakarta-based business consultant who today does a rip-roaring trade as a kind of corporate head-hunter finding suitable joint venture partners for prospective foreign investors here.

In Indonesia personal contact is usually the key to the success of any business venture. A friendly sleuth in a ministry office can do more than any number of eager Wall Street lawyers bent over volumes of government regulations. With no financial press to speak of and no statutory accounting requirement for private national companies, engagement of the services of a consultant is often a necessary first step for a foreign business thinking of locating in Indonesia.

Perhaps even more than other Asian countries Indonesia is perceived as a complex and troublesome place to work. For all their personal charms, in their business dealings the Indonesians – or more particularly the Javanese – are indirect, sometimes obstructive and can be maddeningly slow. English is far from universally spoken by businessmen, and rare among the workforce. The problem of corruption meanwhile is endemic and has still to be confronted effectively by the Government.

At an official level the administrative hurdles to setting up a joint venture – the only way foreign concerns can invest in Indonesia – are formidable. It can sometimes take a year to win approval from the Government's Capital Investment Coordinating Board (BKPM), the body in charge of all projects except general mining. Presenting new articles of association for endorsement from the Justice Ministry may require another two months.

At the unofficial level the Indonesian corporate machine for all the Government's efforts at reform is still oiled by kickbacks and rake-offs. Most business is conducted with up-front money for the local partner. On many occasions this is never recovered if the investment fails to win approval.

The officials at BKPM also demand payment. Only last month General Rudini, the Interior Minister, attacked local government officials who charge investors informal levies.

Other "informal" costs are incurred installing telephone lines, and securing water supplies. Meanwhile a number of disreputable debt collectors offer their services to sort out disputes over land rental in cases where title is unclear. All these problems tend to get worse the further you go from Jakarta.

As for living expenses Jakarta is no longer a cheap place for foreigners. Amcham, the American Chamber of Commerce, calculates that the cost of living for expatriates in Jakarta rose 16 per cent in 1988 compared with an official national inflation rate of 5.6 per cent. With the recent increase in electricity costs Amcham projects the increase could be as high as 30 per cent in the current year.

Renting a family-sized house in central Jakarta – foreigners cannot own property – will cost as much as US$2,000 a month, often with two years payment in advance required. Health costs are also a burden in a country where pharmaceuticals are expensive. Any serious illness has to be treated in Singapore, where facilities are better.

Under current investment rules Indonesia puts no restriction on the repatriation of dividends, profits or expatriate salaries. The Government also guarantees investors against possible nationalisation or losses owing to the inconvertibility of the rupiah. BKPM further provides import duty exemptions, VAT postponements and rebates, and favourable depreciation for the first four years of a business starting up.

SETTING UP SMALL BUSINESSES IN ASIA

Indonesia

From the point of view of some investors, Indonesia's other main advantage its labour environment. No independent trade unions are allowed and strikes are illegal. In addition labour, while facing shortages in skilled sectors, is cheaper than in other South East Asian countries. For this reason, investors have been more attracted to primary product rather than manufacturing activities.

As in many developing countries, infrastructure is not everything it could be. On average it takes four or five attempts to make a local telephone call. Many businessmen have resorted to using car phones which for some reason have priority on the Jakarta exchange. Traffic congestion seems to get worse by the day.

Where businessmen complain more, however, is that there is little legal certainty in doing business in Indonesia, in spite of all the rules. For example, BKPM currently waives its formal requirement that foreign companies divest majority share ownership to their Indonesian partners.

There is also criticism of the joint venture system which in principle is intended to advance the transfer of technology and the development of indigenous management skills. In practice the Indonesian system has merely promoted the vested interests that already control much of the economy.

Today on the Investment Board's latest list of project approvals, the names Bimantara and Humpuss, both companies owned by sons of President Suharto, crop up with increasing frequency. More often than not these companies offer little or no equity participation. What they bring instead is political muscle and local knowledge of the complex strands that make up the Indonesian business scene.

North Korea 'to resume debt payment talks'

By Maggie Ford in Seoul

NORTH KOREA has indicated that it plans to return to negotiations on repayment of its $900m (£529m) debt to the West, six months after an audacious debt forgiveness deal collapsed in the face of dissent betwen bankers.

Speaking in Pyongyang, Mr Kang Jong Il, responsible for relations with foreign countries, said North Korea had not stopped paying its debt for political or ideological reasons. "We took over a poor economy. Catching up other countries in a short time is a heavy burden," he declared.

As soon as it had completed major land reclamation and power projects, payment would resume.

North Korean debt is now being sold in the market at a discount of around 9 cents in the dollar. J. Rothschild, the UK investment bank, is believed to have bought $100m-worth recently, following the failure of the talks last year.

Two syndicates, headed by Morgan Grenfell and the Australia and New Zealand Banking Group, have been in rescheduling negotiations with Pyongyang for several years without success.

Last year, North Korea proposed a controversial deal under which it would pay back 30 per cent of the $900m owed by the end of 1991

The plan provoked strong divisions between banks within the consortia and it was eventually rejected. Earlier, in 1987, North Korea was formally threatened with default after it had pulled out of rescheduling talks. Pyongyang has made no interest payments on its debt since 1984.

Bankers believe the decision by J. Rothschild to purchase the debt may be related to the warming of relations between North and South Korea. A major joint tourism development plan was announced by Mr Chung Ju Yung, founder of the South's Hyundai Group, when he visited the North in January.

Fighting broke out again yesterday between militant workers and police near South Korea's largest shipyard, AP reports from Seoul.

About 1,200 students and workers armed with firebombs and steel pipes fought riot police near the Hyundai Heavy Industries Shipyard in Ulsan, 150 miles south-east of Seoul, for the fourth consecutive day. Others lay in the streets in silent protest.

Hyundai officials said 3,500 riot police were deployed to safeguard operations. Students and militant union members are protesting at a raid in which 14,000 police acted to end a three-month-old strike at the shipyard.

The action sparked demonstrations in seven cities.

More boat people expected to return home to Vietnam

By John Elliott in Hong Kong

A SECOND group of Vietnamese boat people is expected to return voluntarily from Hong Kong to homes in Vietnam by the end of the month. The group will include 70 people who volunteered several months ago, but dropped out when the first batch went back last month, plus 114 new volunteers.

Vietnamese government officials are expected to arrive in Hong Kong in 10 days to issue the volunteers with travel documents. A chartered aircraft will then take the people to Hanoi.

The organisation of the second batch is a significant success for the a policy developed in recent months by Hong Kong, backed by other Asian and Western countries and the United Nations High Commissioner for Refugees.

The aim of the policy is to persuade as many as possible of the boatpeople in Hong Kong and other South East Asian countries to return home voluntarily. The governments hope this will help to stem the flood of would-be refugees who are still leaving Vietnam in the hope of better economic prospects in other countries.

More than 10,500 boat people have arrived in Hong Kong since last June when the colony decided not to give new arrivals automatic status as full refugees. Most of them risk being classified as illegal immigrants and face ultimately being forcibly repatriated if they do not go home voluntarily.

Election boost for Islamic radicals in Tunisian cities

By Francis Ghiles in Tunis

CANDIDATES for Tunisia's largest radical Islamic party, the Parti de la Renaissance, won between 20 per cent and 30 per cent of the popular votes in some of the country's large urban centres but only 13 per cent overall in Sunday's elections.

The party's "independence candidates" did well in some of the country's largest urban centres such as Tunis, Bizerta, Sousse, the industrial port of Gabes which sits opposite the popular tourist island of Jerba and the southern town of Gafsa, which lies near the phosphate mines of Metlaoui.

In centres such as Tunis, its suburb of Ben Arous and the southern towns of Gafsa and Gabes, the Moslem militants polled more than 25 per cent of the vote. The militants ran a well-organised and financed campaign.

However, the breakthrough in popular vote will not give the party a single seat in the new National Assembly as the winner-take-all system in very large constituencies has ensured that the Rassemblement Constitutionnel Democratique, which alone has held power in Tunisia since independence in 1957, holds all the seats.

The performance of the Mouvement des Democrates Socialistes which is made up of former members of the ruling party who left in disgust at the increasing dictatorial ways of the former head of state, Mr Habib Bourguiba before his exit from the political scene 18 months ago failed to attract more than 8.5 per cent of the vote where they had candidates and 3.7 per cent overall.

The MDS withdrew all its observers from polling stations at midday on Sunday in protest at what its leader, Mr Ahmed Mestiri declared were irregular practices by the authorities.

The elections were marred by a string of minor incidents in provincial towns, but a far greater flaw remains the fact that about 1.3m voters out of the roughly four million who should be legally entitled to vote are not registered on the electoral roll.

This is not simply the consequence of what appears to be the very disorganised manner in which such lists are drawn up. Many key posts in local government remain in the hands of RCD party stalwarts who are happy to pay lip service to President Zine El Abidine Ben Ali's reformist zeal but are not shy about the means they use to thwart the head of state.

In many places they simply do not send electoral cards, which entitle Tunisians to vote, to anyone who has settled recently in the area, let alone is known or suspected of favouring an opposition group.

At a number of polling stations in Tunis the authorities had built up to ten "mini polling stations" within what is usually a single one, thus making the task of most opposition party observers very difficult.

In the holy city of Kairouan, where the RCD list was lead by an iman of the highest integrity, long opposed to Mr Bourguiba, Sheikh Abderrahmane Kheliff the "independent" list was trounced and withdrew its candidates at midday on Sunday, screaming defeat.

To conclude that last Sunday's elections shows that President Ben Ali proposes and the RCD disposes would be too harsh a judgment. But the manner in which they were conducted underlines the fact that many Tunisian officials are not prepared to honour their head of state's instructions to be fair and to be seen to be fair.

For his part Mr Ben Ali was returned, unopposed with over 99.7 per cent on a turnout of between 50 and 80 per cent.

Outlook for Iran-Iraq talks worse than ever

By Andrew Gowers in Baghdad

IRAN AND Iraq have decided to send their foreign ministers for another round of United Nations-sponsored peace talks in Geneva in two weeks' time, according to Iraqi officials.

But the prospects for progress seem bleaker than ever in view of political uncertainty in Iran, and the atmosphere has been further poisoned by a spate of serious ceasefire violations on the southern war front.

Although a deliberate resumption of hostilities is considered unlikely, Western officials in Baghdad are warning openly of the danger that fighting could escalate by accident.

The resumption of the Gulf peace negotiations which have failed to advance beyond the truce which took effect last summer, has yet to be announced, following consultations with both sides in New York by Mr Jan Eliasson, the UN mediator. It is understood, however, that Tehran and Baghdad have agreed to a foreign ministers' meeting on April 17.

The date and venue remain the only items on which they agree. All attempts by the UN to arrange even minimal confidence-building measures between the two countries have come to nothing. An exchange of prisoners of war collapsed long ago.

There is no agreement to extinguish three oil and gas wells which are burning in no-man's land, much to Iran's annoyance. A joint military working group aimed at consolidating the ceasefire, which both countries agreed to join earlier this year, has failed to hold its first meeting.

This provides an indication of the sheer pettiness into which the Gulf peace talks have descended. According to the Iraqis, Iran is insisting that the meeting be held at an inconvenient spot amid the marshes on the central war front or behind the Iraqi lines, which is not acceptable to Baghdad.

Tehran, which is conducting all its negotiations with the UN rather than with Iraq, has also insisted that there should be no shaking of hands at meetings of the group, and no refreshments served.

But the most serious problem at present concerns tension on the southern war front, where there have been four intense exchanges of fire since the beginning of February – principally, the UN believes, as a result of provocation by Iran, which has tampered with earth works in the vicinity and sent flood water towards Iraqi territory.

Such is the UN's alarm that Mr Marrack Goulding, under-secretary-general responsible for peacekeeping, has been to Tehran and Baghdad in recent days to try to defuse the situation. He left Baghdad on Sunday, exorting the Iranians to stop violating the ceasefire and the Iraqis to exercise restraint.

Iraqi Foreign Ministry officials believe there is little chance that the April 17 talks will do more than rehearse the familiar issues which have blocked progress at all previous meetings: Iran's demand that a withdrawal of Iraqi troops from its soil take priority, and Iraq's insistence that clearance of the Shatt al-Arab waterway should come first.

But a senior official added: "It's still a positive sign that both sides are ready to sit down in the same place, if not to talk to each other. That's better than nothing."

Gunboats blast Druze harbour

GUNBOATS blasted a Druze-controlled harbour in south Lebanon yesterday, as Syrian and Christian gunners continued their heaviest artillery duel in and around Beirut in three weeks, raining shells on residential districts, AP reports from Beirut.

The bombardment trapped tens of thousands of residents in underground bomb shelters with food, milk and water supplies running thin.

Christian radio stations called the shelling "the worst 36-hours of Syrian terror," and said the duel covered one third of Lebanon's 4,015 square miles.

Police said Syrian and allied Druze gunners pounded the enclave of east Beirut that houses 1m Christians, and areas north-east of the capital with 9,500 shells and rockets.

The Christian army commander, Gen. Michel Aoun's units fired 4,000 rounds of 155mm howitzers on Moslem west Beirut, the central mountains and east Lebanon's Syrian-controlled Bekaa valley.

Aoun's gunners also blasted the Beirut-Damascus highway in the mountainous region of Dahr al-Baidar to block Syrian tank reinforcements poised to roll down to Beirut.

Some 15 people were killed and 35 wounded on both sides of the Beirut Green Line.

Mahathir 'all fired' to take up reins of government again

By Wong Sulong in Kuala Lumpur

DR Mahathir Mohamed, Malaysia's 63-year-old prime minister, resumes work today after two-and-a-half-months' recuperation from a heart by-pass operation.

Close aides to the Malaysian leader said he had recovered and was "all fired" to return to take the reins of government.

Dr Mahathir has consolidated his control of the government as a result of his illness, which has precipitated a major realignment within the ruling United Malays National Organisation.

One of his first tasks will be to ensure a cordial working relationship with Sultan Azlan Shah of Perak, who will take over as the new Malaysian king on April 26.

Sultan Azlan visited Dr Mahathir when the latter was sick, indicating that while he has strong differing views on many issues, he would play a correct role as king.

Dr Mahathir is expected to make a major cabinet reshuffle after Ramadan, the fasting month in May, and observers say the line-up will give a clearer assessment of his long-term political intentions.

He is widely expected to appoint some of his former opponents into the cabinet, although it is unclear whether he has sufficiently forgive his former deputy, Datuk Musa Hitam, to bring him back into the government.

Tengku Razaleigh, Dr Mahathir's arch-rival and former trade and industry minister, has rejected an offer to return to the Umno party. Instead, he has announced he is forging a United Opposition Front to challenge Dr Mahathir at the polls.

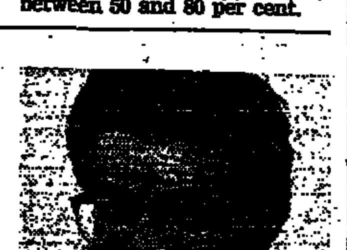
The proposed opposition United Front will comprise dissidents from the Umno Party, known as Assemangat 46 ("Spirit of 46"), a reference to the year Umno was founded, the fundamentalist Party Islam, and the Chinese-based Democratic Action Party.

The Party Islam held its annual conference over the weekend, and authorised its moderate leadership to negotiate with Tengku Razaleigh on the proposed front. The party also saw a need for dialogue with the non-Moslems.

The Party Islam feels that with the support of Assemangat 46 it hs a good chance of winning the northern, Moslem states of Kelantan, Trengganu and Kedah.

Razaleigh's supporters reckon the proposed opposition front can win 40-50 per cent of the seats in West Malaysia, and it can form the government with parties in East Malaysia.

Dr Mahathir need not call for a general election until August 1991, and observers feel the proposed opposition front may not last so long.



Mahathir: consolidated control

European plea for tighter Gatt rules on textiles

By Peter Montagnon, World Trade Editor

THE European textile and clothing industry has appealed to the European Commission not to accept any modification of the present arrangements for regulating world trade in textiles without first ensuring that the basic rules of the General Agreement on Tariffs and Trade are made more effective.

In a statement ahead of tomorrow's Gatt meeting in Geneva, the European industry associations for clothing and textiles said Gatt rules on dumping, subsidies and safeguards were ineffective. Safeguard rules allow Gatt members to establish barriers against unexpected surges of imports.

The Gatt meeting is expected to examine ways of negotiating an end to the Multifibre Arrangement (MFA), which governs world trade in textiles, but the statement said that this would only lead to a proliferation of "grey area" protectionist measures unless Gatt were itself made stronger.

Noting that Pakistan and India have been the most vociferous developing countries urging an end to the MFA, the statement from the associations warned that their textile exports to Europe increased by 75 per cent and 140 per cent during 1986 and 1987, the most recent years for which statistics are available.

Shipbuilders seek more help against Far East competition

By William Dawkins in Brussels

EUROPE'S shipbuilders have called on the European Commission for more help to defend their industry against allegedly unfair Far Eastern competition.

Their request follows similar appeals in recent months by leading car and electronics producers, which have intensified debate in the EC on the extent to which the Community should protect strategic industries in the run-up to the 1992 deadline for a single European market.

A memorandum from the Committee of EC Shipbuilders' Associations (Cesa) to Mr Martin Bangemann, Industry Commissioner, urges: "The Commission must now defend the remaining competitive capacity against the unfair practices of other countries."

In particular, they "deplore the continuing practices of the Japanese and South Korean shipyards, who are still quoting prices which do not cover their costs."

Brussels has been trying for more than a year to forge a ship pricing and production accord with both countries. Negotiations have proceeded well with Japan but the talks with South Korea are deadlocked.

The EC does allow European shipbuilders to receive state subsidies to help them bridge the gap with low Far Eastern prices.

But to the industry's disappointment, Brussels recently cut the permitted aid level from 28 per cent to 26 per cent of contract cost, on the grounds that European shippers have become more competitive.

European shipbuilders have cut capacity by an average of more than 60 per cent to 2.3m cubic gross tonnes since the 1973 oil price shock, rising to 75 per cent for builders of large tankers and bulk carriers, says Cesa.

The workforce has meanwhile more than halved, from a total of 340,000 in 1975 to 127,000 last year.

TWA order confounds the Airbus critics

The market helped, but experts say decision was on merit, writes Roderick Oram

AFTER dithering around in the North American airliner market during the 1970s and early 1980s, it looks as though Airbus Industrie has got its act together with the help of the most favourable market conditions in years.

In the past four years Airbus, a European consortium of aerospace companies, has won some $24bn of business in the US and Canada. It has outsold McDonnell Douglas, the number two US producer after Boeing, booking 367 firm orders and 165 options for its aircraft.

The latest flurry came last week when Trans World Airlines placed $3.5bn of orders and options for 40 A330 airliners.

The surge has ended a long dry spell. After breaking into the North American market with sales to Eastern Airlines in 1978, Airbus failed to book another order there until it signed Pan Am in 1985.

Although weak market conditions were a big factor, Airbus concedes it made a hash of its early efforts there. "At times *we had a confused* approach," says Mr John Leahy, senior vice president marketing and sales of Airbus Industrie North America.

"We were here, we retreated, we were here again once every two or three years." One problem was convincing conservative US carriers that Airbus aircraft matched or bettered those they knew well from Boeing and McDonnell Douglas.

"Since about 1984, we've been making concerted efforts to be a big player," Mr Leahy adds. With North American carriers accounting for roughly half of world aircraft purchases, success there is crucial to Airbus's survival.

Success is relatively easy for all manufacturers during the current great sales boom. Airlines are scrambling to replace ageing aircraft and to line up equipment for expansion.

The order frenzy is beginning to feed on itself as delivery dates of makers' most popular models stretch to 1992 and 1993. Some airlines are signing up for more aircraft than they can justify because they are worried about being pushed down the queue.

In TWA's case, delivery dates were only a peripheral factor. The airline had taken more than two years to decide *which aircraft to buy to* replace elderly Lockheed L-1011s and Boeing 747-100s on its trans-Atlantic and longest, busiest domestic routes.

The delay might have been caused by indecision on the part of Mr Carl Icahn, TWA's owner. He was a corporate raider when he bought control of the company three years ago and it looked for a while as though he would try to sell it for a quick profit. When market conditions turned against him he switched to rebuilding TWA.

By the time TWA was prepared to commit itself to new equipment to update its fleet, the second oldest in the US with an average aircraft age of 14.3 years, Boeing's order books were bursting. It could not deliver 767-300ER airliners suitable to TWA's needs until late 1992 or early 1993. By then the more advanced and more economical A330 would have come into service.

TWA speaks only in general terms about why it chose the Airbus. "We like the airplane and the whole package of inducements they offered," says Mr Sandy Rederer, vice president of strategic planning. "We think we got a very attractive price."

On some past sales Airbus has offered attractive financing but that was *not a factor* in this case. "We haven't decided how to finance them," Mr Rederer adds. That will be worked out much closer to the delivery dates beginning in late 1994.

Industry experts believe the Airbus won on its merits, confounding critics of the twin-engine A330 and its sister four-engine A340 when they were launched two years ago. Some thought then that competition at the bottom end of the models' capabilities from the Boeing 767-300 and at the top from the McDonnell Douglas MD-11 would leave too small a market.

The A330 will be some 10 to 15 per cent cheaper to operate per seat mile than the 767, Mr Morten Beyer, president of Avmark, an aviation consultant based near Washington, estimates. "It probably has the lowest seat cost of any aircraft."

Two big factors are at work – technology and size. First, the A330 is "an airplane at least 10 years newer than the 767" in terms of the greater use of composite materials, wing design and computer driven controls.

Second, Airbus went for capacity over range. It has some 30 per cent more seats than the 767 but still has two-thirds the range of the Boeing aircraft, distance enough to cross the Atlantic. It is also two feet broader, making it a true wide-bodied aircraft. As a result it can also carry twice as many standard-sized cargo containers as the 767.

"It's a smart selection by TWA," Mr Beyer says. Many other airlines have boxed themselves in by ordering smaller aircraft. With US airspace getting ever more crowded, they will find it hard to add more aircraft to boost capacity on some crowded routes. Better to start with a larger aircraft. Anyway, "bigger airplanes are cheaper to buy and operate per seat mile than smaller ones".

Airbus hopes the TWA order will help open other doors, even though its credibility problem is largely solved. Nearly a dozen North American airlines, lessors and charter carriers have ordered Airbus models. By 1995 nearly 500 will be in service in the market compared with 34 in 1985. American Airlines, for one, says its fleet of A300-600Rs are its most reliable wide-body airliners with only 1 per cent of their departures delayed for technical reasons.

But Airbus is already suffering the strains of success as it, like Boeing and McDonnell Douglas, tries to build all the aircraft recently ordered. The next logical step for the European group could be to expand from its Toulouse, France, assembly plant to production in the US.

Decision on stretched A-320 expected soon

By Michael Donne

AIRBUS Industrie, the European airliner manufacturing group, is expected to take a decision on the development of a new, stretched version of the A-320 twin-engined jet airliner around the end of April or early May.

This aircraft would be designed to carry around 186 seats, against the 150 carried by the existing A-320 airliner. The latter has done exceptionally well in world markets, with firm sales of 458 aircraft by end-February and deliveries to airlines mounting rapidly.

To meet the demand for the A-320, Airbus is planning to raise the production rate over the next few months to 10 aircraft a month by early 1990.

At the same time, however, it is aware that through the mid to late 1990s, many airlines will need a larger airliner, to cope with traffic growth and the increasing congestion at airports world-wide.

As a result, after many discussions with airlines, Airbus has over recent months refined a design for a stretched A-320, involving another 20 feet or so in the fuselage, but using existing wings.

This will require a more powerful engine. Both manufacturers whose engines power the existing A-320 – CFM International (jointly owned by General Electric of the US and Snecma of France) with its CFM-56 series, and International Aero Engines (the UK, US, West German, Italian and Japanese group of in which Rolls-Royce has 30 per cent) with its V-2500 engine – are planning uprated models.

European manufacturers strike deeper into world markets

By Michael Donne, Aerospace Correspondent

THE decision by Cathay Pacific Airways of Hong Kong to buy a fleet of 10 European A-330-300 medium-range wide-bodied 300-plus seat Airbuses, worth $1.1bn (£647m), with 10 more on option, is significant for several reasons.

Following the recent order for 20 of those aircraft for Trans World Airlines of the US, with 20 more on option, the latest deal sets the new A-330 on the road to success in world markets.

At the same time, it gives Rolls-Royce its first overseas launch order for the new 67,500lb thrust model "L" version of the RB-211-524 engine (the first customer for that engine came recently from Air Europe of the UK when it ordered six McDonnell Douglas MD-11 tri-jets with another 12 on option).

But even more significant, the latest deal is yet another indication that the European aerospace industry as a whole is finding a new strength and confidence in world markets – including the difficult US market, regarded hitherto as the exclusive preserve for the big US aircraft and engine builders – with a wide range of products.

Within recent weeks, for example, the giant American Airlines has ordered a multi-billion-dollar fleet of 75 Dutch Fokker F-100 twin-engined *short-haul regional jets, with* an option on another 75, all powered by Rolls-Royce Tay engines.

At the same time, American Airlines specified Rolls-Royce RB-211-535-E4B engines in a fleet of 25 Boeing 757s, with an option on at least 40 more such aircraft with the same power-plants.

In recent weeks, the Rolls-Fokker combination has also done well elsewhere, with Air Europe Express, the new European airline consortium being set up by Air Europe of the UK, ordering 11 F-100s with another 11 on option.

The Cathay deal for the A-330 Airbuses with Rolls-Royce engines must also considerably strengthen Rolls-Royce's position in bidding for the engines in the recent TWA order for A-330s. TWA, with a big fleet of Lockheed TriStars using Rolls-Royce RB-211 engines, is no stranger to the UK company, and is well disposed towards it.

But the Cathay and TWA Airbus orders together are a vindication of the increasing confidence of the European aerospace industry in its bid to win bigger shares of world airliner and engine markets, for so long dominated by the big US manufacturers.

Sir Ralph Robins, managing director of Rolls-Royce, in Hong Kong to sign the deal with Cathay, summed it up by stressing that with world air traffic growth continuing at high levels, and with the big US manufacturers' order books exceptionally full, now was the right time to "go hard" in world markets.

His view, which the flood of recent orders appears to confirm, is that the European manufacturers – Rolls-Royce itself, Fokker and Airbus (in which British Aerospace, Aerospatiale of France, Messerschmitt-Bölkow-Blohm of West Germany and Casa of Spain all have stakes) – now have the *right products at the right time* and at the right price, and have now also developed a maturer understanding of world markets. At the same time, the airlines are more receptive to European products than they have ever been.

Airbus itself, despite criticisms in recent months of its managerial ability and its financial situation, has never lost faith in its own long-term vision of a European airliner group capable of challenging the dominance of the big US manufacturers world-wide.

Airbus, starting from nothing barely 20 years ago, has already achieved much, with firm sales of well over 1,200 aircraft world-wide.

This has been largely due to the massive success in the short-to-medium-range airliner market of its 150-seater A-320 twin-engined jet, with sales of over 455 aircraft, against fierce competition from versions of the Boeing 737 and McDonnell Douglas MD-80s series of jets, and the demand shows no signs of abating.

But for a long time, Airbus has been conscious of the fact that to offer significant competition it was necessary to offer a family of jet airliners, that could match many, if not all, of the various other types of bigger, longer-range aircraft offered by its two rivals.

As part of this philosophy Airbus decided some time ago to develop the larger A-330 300-plus seat, twin-engined, medium-range jet, and its stablemate, the four-engined, long-range A-340, which share many features including wings and systems.

The A-330 is in a class by itself, although Boeing will be seeking to match it with its twin-engined 767. The A-340, although a little smaller, represents a bid to meet the long-range competition offered by McDonnell Douglas with the MD-11 and Boeing with the 747-400.

The Airbus ventures are *already proving highly success*ful, for with the Cathay and TWA orders in the past week, total sales of A-330s have reached 144, while sales of A-340s stand at 122.

But Airbus is not resting there, for it is also now on the the verge of offering a new version of the A-320, the so-called "stretched" model, which will be able to seat between 180 and 190 passengers, over short-to-medium ranges. A board decision to go ahead with this is expected around the *end of* April, but the design is virtually settled, and the salesmen are already on the road.

Oman agrees methanol plant terms

By Steven Butler

OMAN has agreed terms for a 10-year natural gas supply contract for the world's first floating methanol plant, which is to be built by a consortium headed by Mr Peter de Savary, the international financier, at a cost of some $250m.

Davy Corporation of the UK, Kellogg of the US and Mitsubishi of Japan have been invited to submit tenders by mid-May, and the plant is to be on stream by 1991.

The aim of the project, in which Offshore Gas Developments is also participating, is to use remote supplies of otherwise untapped natural gas to meet a growing worldwide demand for methanol, which is used in fuels and for chemical feedstock.

The plant would be able to move from field to field to tap smaller accumulations of gas that are normally flared when they are produced in association with the crude oil production.

The plant would have a capacity of 2,200 tonnes a day, and would be built on either a converted very large crude carrier or a purpose-built barge of 200,000 tons.

The Omani government has agreed to sell up to 224bn cu ft of natural gas over the period of the agreement.

Two-tier Canadian price system recommended

By David Owen in Toronto

A PROMINENT Canadian panel, appointed to study the impact of the US-Canada free trade agreement, has recommended the introduction of a two-tier price system for poultry and dairy products.

The Advisory Council on Adjustment believes such a system would ensure the health both of Canadian food processors and the country's supply management-based marketing boards for chicken, turkey and milk.

Food processors are expected to encounter problems following the disappearance of their *tariff protection* under the terms of the trade deal, since they will have to compete head-to-head with US rivals while paying more for many of their raw materials.

Under the panel's proposals, food processors would pay the marketing boards prices comparable to those tendered by their US competitors for their raw materials supplies.

To maintain marketing board (and farmer) revenues, however, individual consumers would be asked to pay more for the products fresh for their own use.

Three Canadian farmer-owned grain co-operatives – the Saskatchewan and Alberta Wheat Pools and Manitoba Pool Elevators – have aban*doned their attempts* to amalgamate. The deal would have created one of Canada's 20 largest corporations with annual sales of close to C$4bn.

Hungarian import restrictions

VIENNA is being besieged by Hungarian consumers just days before the authorities in Budapest impose tighter restrictions on imports as a means of reducing the outflow of precious hard currency from the country, Judy Dempsey writes.

Later this week, Hungarians returning from their day's shopping in Vienna will be allowed bring back duty free goods into Hungary worth 5,000 forints (£49), instead of the normal 10,000 forints.

The authorities say the easier travel restrictions introduced a year ago has reduced Hungary's net tourism surplus of $368m in 1987 to under $39m for 1988.

Viennese shopkeepers, however might not be too pleased with the new regulations. Last year, Hungarians crossing the trouble-free border spent over Sch6,000m (£273m).

CoCom may lift curbs on Moscow

By Peter Montagnon, World Trade Editor

WESTERN nations will consider the possible lifting of special trade restrictions imposed against the Soviet Union because of its invasion of Afghanistan, at a meeting in Paris next week of the Co-ordinating Committee on Multilateral Export Controls (CoCom).

The meeting is due to discuss ending CoCom's policy of refusing to exempt any exports to the Soviet Union from its general rules on sensitive East-West technology trade, but diplomats warned that continuing uncertainty over the attitude the new Bush Administration may prevent any decision being taken.

Though the 16-nation CoCom operates strict restraints *on high-technology* exports to the East bloc, it also normally provides for its members to apply for exemptions in specific cases. This was the case, for example, with sales of Western airliners to Poland and East Germany last year.

With a few exceptions, such as material needed to clean up after the Chernobyl explosion, these exemptions have been denied to the Soviet Union since its invasion of Afghanistan. Now that it has withdrawn, several applications for exemptions are pending and a consensus is growing in CoCom that this extra restriction should be lifted.

However, delays in installing key officials in the US, particularly in the Department of Defence, opposition from some hard-line experts both in and out of office, and the continuing review of East-West trade policy in Washington mean the US may not be ready to concede any change.

This could lead to a row within the organisation if exemption applications with a short deadline lapse without agreement on a change in policy. A couple of such applications are understood to have been lodged by the UK.

Meanwhile, the strains that developed in CoCom last year as West Germany began to question its relevance in the light of glasnost and perestroika have begun to abate because of the controversy over the German role in helping Libya build a plant that could be used for making chemical weapons.

This has prompted West Germany to tighten up on its export controls and cool down its demands for a general relaxation of CoCom. Discussion at next week's meeting on Monday and Tuesday is now also likely to focus on how to speed the streamlining of the cumbersome CoCom list of restrictions, as well as the establishment of common enforcement standards and the removal of barriers to strategic trade within CoCom itself.

Officials will also try to set a date for the next high-level meeting of CoCom, which would be attended by policy-making sub-ministerial level officials. Such a meeting is due to take place this summer but the slow start made by the Bush Administration may mean a postponement until the autumn.

Lobbyists to fight farm plan

By William Dullforce in Geneva

FARM lobbyists from the US and the EC arrived in Geneva in strength yesterday as negotiators struggled to reach an agreement on agriculture that *would unlock the Uruguay* round trade talks.

Almost without exception the lobbyists were set on preventing their negotiators from compromising along the lines suggested in the working paper drafted by Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt).

The Dunkel plan would freeze and then reduce US farmers' incomes without restraining other nations who compete with US farmers, Mr John Ford of the US Corn Growers' association said.

"It would increase the risk and instability of US farming while devastating the efforts of the world's poorer nations to develop their own food supplies."

Mr Ford said the Bush administration was trying to negotiate domestic farm policy through Gatt. He had never seen such unity on a policy issue among US produces, processors and shippers.

Mr Raymond Lacombe, president of the French Federation of Agriculturists, called a press conference to express his farmers' great concern about the Dunkel paper, in particular about the proposed freeze on budget supports for exports and on producer prices.

IMF SPRING MEETING

Lack of US action 'could derail economic growth'

Peter Norman on a harsher-than-usual warning for Washington contained in the latest IMF Outlook

THE International Monetary Fund warned that the economic growth in the industrialised world could be derailed unless economic policies in the US and other major countries are changed.

Without strong action to cut US domestic demand, the world could face a drop in the dollar's value and a sharp rise in US interest rates.

In its latest World Economic Outlook report, the IMF said the US current account balance of payments deficit could jump to $156.6bn next year from a projected $139.3bn in 1989.

Such a development, which would mark the reversal of the process of reducing current account imbalances between the US, Japan, West Germany and the newly industrialising economies of Asia, could cause investors to scale down their demands for US assets. That "would involve a significant risk of instability in financial markets, accompanied by high inflation and a slowdown in growth," the IMF said.

In its report, the IMF said the US faces a "particularly urgent" task of raising domestic savings and called for a "decisive effort" by the US authorities to improve the nation's fiscal position. The IMF believes that US government estimates, which envisage a decline in the US budget deficit from $160bn in this fiscal year to $37bn in the fiscal year ending September 30 1993, are too optimistic. Fund projections show that the deficit could still total $114bn in fiscal 1993.

It said additional steps to reduce the US federal budget deficit are essential to make way for further increases in net exports from the US while sustaining investment growth.

IMF calls for a cut in the US budget deficit are not new. However, the latest Outlook document puts its appeal to Washington in a more vigorous manner than before.

Officials indicated that the change of tone partly reflected a determination on the part of the IMF to ensure that the new US administration is aware of the dangers inherent in the continuing high US deficits. Recent trends have also increased IMF concern over developments in the world economy.

Mr Jacob Frenkel, the IMF's chief economist and director of research, told a press conference that clouds had appeared on the horizon after last year's strong growth in the industrialised countries and Asia.

He said there had been a significant slowdown in the process of adjusting global current account imbalances. Inflation was rising and many developing nations were unable to translate higher export earnings into investment and growth because of their debt burdens.

In the Outlook, the IMF said sustaining economic growth in the world depends to a large extent on success in controlling inflation. It said policy makers should be ready to take additional steps if inflation was not brought under control.

Reflecting these concerns, some projections in the World Economic Outlook have been revised significantly since first circulated among member Governments some weeks ago. The projections assume unchanged policies and constant real exchange rates and oil prices, with the oil price based on an average of $15 per barrel for 1989.

In the case of the US, the IMF now expects consumer price inflation to rise to 4.9 per cent in 1990 from 4.7 per cent this year and 4.1 per cent in 1988. The earlier leaked version of the Outlook projected a drop in inflation to 4.5 per cent next year from 4.8 per cent in 1989.

The IMF also has sharply revised upwards its projection of next year's US current account deficit from $137.4bn projected only a few weeks ago.

In Britain's case, the IMF now believes that consumer prices will rise by 7.3 per cent this year, compared with 6.6 per cent predicted some weeks ago. However, its inflation projection for 1990 is more optimistic at 5.4 per cent compared with 5.8 per cent previously.

The IMF also projects an improvement in the British current account balance of payments deficit next year to $25.5bn from $30.3bn in 1989. Earlier it was projecting a broadly unchanged deficit of $30bn in 1990 after $31.7bn in 1989.

The IMF said the British government would be right to raise interest rates further if demands fails to slow as envisaged.

The IMF called on all countries to implement structural reforms and resist protectionism. It singled out West Germany, Europe's major surplus country, as needing a "vigorous effort" to reduce excessive regulation and subsidies. The report was far less critical of Japan, which achieved strong growth last year with low inflation and a drop in its current account surplus in relation to the size of its economy.

A combination of tighter fiscal policy in the US and structural reforms to boost economic efficiency elsewhere would increase output and investment and lower inflation and interest rates in all industrial countries by 1994, the IMF concluded. Such changes would also reduce the current account imbalances in the US, Japan and West Germany.

SUMMARY OF IMF PROJECTIONS

	1988	1989	1990
Economic Growth (%)			
US	3.9	3.1	2.5
Japan	5.7	4.5	4.4
W. Germany	3.4	2.4	2.9
Britain	4.4	3.3	2.1
G7 nations	4.2	3.4	3.0
World	4.1	3.3	3.2
Inflation† (%)			
US	4.1	4.7	4.9
Japan	0.7	1.3	1.0
W Germany	1.2	2.8	2.4
Britain	4.9	7.3	5.4
Industrial countries	3.2	3.8	3.5
Developing countries	67.1	45.5	18.1
Current Account ($bn)			
US	-135.3	-139.3	-156.6
Japan	79.5	84	93.5
W Germany	48.5	49.7	51.2
Britain	-26.6	-30.3	-25.5
Industrial countries	-59.0	-67.0	-74.5
Developing countries	-19.1	-19.4	-26.0

†Consumer prices

Projections are based on the assumptions of unchanged policies and constant real exchange rates and oil prices.

Source: World Economic Outlook, IMF, Washington DC.

IMF seeks debt burden role

By Stephen Fidler, Euromarkets Correspondent

A ROLE for the IMF in assessing debtor countries' capacity to service external debt is suggested in the Fund's World Economic Outlook, published yesterday.

The Fund acknowledges that, because of the perception that debt servicing would absorb most of the benefits from improved policies, a large debt burden may act as a strong disincentive to economic adjustment.

In these circumstances, debt reduction measures could make both debtors and creditors better off, for example, if it were to increase the country's debt servicing capacity.

"The market value of the claims on the indebted country would then increase, even though the contractual value is reduced," the review says.

Arguing it may be necessary to align debt service payments more closely with payment capacity in problem debtor countries, the review suggests more could be done to establish a common view among debtors and creditors about future payments prospects on which to base their negotiations.

"In that context, the Fund could also use its experience in macroeconomic analysis to emphasise the link between a more realistic debt service burden and the potential for sustaining appropriate domestic reform in these countries."

The review says the perceptions of private creditors that many problem debtors are unlikely to service their debts is reflected in the widening discounts on loans in the secondary market and widespread provisioning. Yet this has not, in general, been matched by formal adjustments to the face values of such claims.

It says the expansion of the so-called menu of options available in debtor-creditor agreements has had "a limited quantitative impact" and that a variety of practical constraints is likely to limit the options' broader use.

Unless financing from other sources is obtained, debt buybacks and debt-for-debt swaps are likely to remain limited. It also acknowledges that debt-to-equity swaps "may add to existing fiscal and inflation problems and create new uncertainties for investors" although they can be effective in attracting flight capital.

Nevertheless, although reductions in debt burdens may help improve conditions in the most highly-indebted countries, it provides no panacea. "The benefits from debt reduction would largely depend on the accompanying domestic policy measures," the report concludes.

Brady-bashers toe US line

Washington Notebook
By Stephen Fidler and Peter Riddell

● Mr Nicholas Brady, the US Treasury Secretary, no doubt feels pleased that the broad outlines of his debt initiative have been backed by his fellow finance ministers in the Group of Seven, with a number of reservations, but that does not mean they are pleased with him.

There is undisguised irritation about the US among several of the finance ministers and central bank governors. For a start they feel the Brady plan has been oversold and is in danger of raising excessive expectations among both commercial banks and Latin American debtors.

In particular, several Europeans have pointed out that rising dollar interest rates cost the debtor nations more – roughly $5bn per percentage point – than any likely debt reduction plan will alleviate. And high interest rates go back to US economic policy and the persistently high budget deficit.

One European minister said he viewed the deficit with "controlled impatience" after more than four years of assurances from the US.

The reference in the G7 communique to the problems caused by "a rise of the dollar which undermined adjustment efforts" reflects non-US worries about the implications of a continued failure to tackle the budget deficit.

Nonetheless, for all their private complaints, the Europeans have had to go along with renewed US assurances about cutting the deficit and with the Brady plan for debt reduction. So the US can feel it has got it wanted from the Washington meetings.

● Latin layoffs: The resignation of Mr Juan Sourrouille, the Argentine Finance Minister, at the weekend has underlined the precarious nature of employment at the head of finance ministries in Latin America. Of the seven finance ministers of the Group of Eight Latin American countries (Panama is no longer counted among their number) that started a series of meetings in April last year, only three are left. The ministers of Uruguay, Colombia and Brazil, who attended a meeting of G8 finance ministers on Sunday evening, are the only ones to have stayed the course. As Mr Maílson da Nóbrega, the Brazilian minister, remarked as he walked into the meeting: "The rate of attrition is worryingly high."

Thorny issues surround credit enhancement

By Stephen Fidler, Euromarkets Correspondent, in Washington

MUCH discussion at the spring meetings of the IMF and World Bank has revolved around the rather technical-seeming issues surrounding credit enhancement.

The problem is that the technique most usually described as problematic – using World Bank guaranteees for interest payments – provides the most efficient way of reducing the debt servicing burden of debtor countries.

The first issue is whether a new strategy should focus on reduction of the debt principal or on debt servicing; the Brady proposals have laid emphasis on both.

Each dollar devoted to debt reduction provides 10 cents of cash flow relief in year one, while each dollar devoted to debt service relief provides a dollar of cash-flow relief.

Given that the resource flows out of the countries are deemed to be the most urgent problem, then debt service relief would appear to be more effective.

In addition, as Mr John Williamson of the Institute of International Economics has pointed out, techniques devoted to debt relief – such as debt buy-backs – may aggravate the resource transfer problem in the short term by using up reserves to make debt purchases.

It is a fact of simple financial engineering that bonds to be exchanged for old loans can be constructed to give relief of either debt service – ie interest – or debt principal. (For US banks, the accounting treatment for lower-interest bonds which leave unchanged the face amount may be treated more kindly by accountants.)

From the point of view of risk to the guarantors, there is no reason why a limited guarantee of interest should cost any more than a guarantee of principal.

Some European governments, though, appear worried that a specific guarantee of interest payments would entail an open-ended commitment to debtor countries from the World Bank.

A pool of collateral, they believe, would indicate the limitation of that commitment. In theory, a pool of collateral should provide the same amount of relief as guarantees of the same amount.

In practice, however, it is likely to be less effective. Associating a World Bank guarantee with a low-interest bond would arguably enhance the seniority of the bonds – and banks would presumably then be willing to accept greater discounts on their exchanged loans.

Second, while the World Bank would have to set aside the same amount of capital for a pool arrangement as for a guarantee, as a contingent liability, a guarantee would not immediately require it to raise funds in the international capital markets.

If banks act rationally, then they would also consider that the quality of the low-interest bonds would be higher than the earlier debt, because lowering the debt burden should better enable the country to service its debt.

Given this, whether bankers take account of the improved creditworthiness of countries is an important question given the resources now being talked about.

Many, including Mr Williamson, believe the informal administration of a 20 per cent reduction in the debt and debt service burdens of problem debtors using $24bn of World Bank and IMF resources appears over-optimistic.

AMERICAN NEWS

Exxon counters oil spill criticism

By Lionel Barber in Washington

EXXON yesterday apologised publicly for the Alaska oil spill disaster, as the US Government launched a full-scale review of safeguards involving Alaskan oil development.

In full-page newspaper advertisments aimed at countering criticism of the company's handling of the accident, Mr L G Rawl, Exxon's chairman, said: "I want to tell you how sorry I am that this accident took place. We cannot, of course, undo what has been done. But I can assure you that since March 24 the accident has been receiving our full attention and will continue to do so."

Mr Rawl pledged that his company would meet its obligations to "all those who have suffered from the spill" but the ramifications of the disaster are already spreading beyond the damage to Exxon's corporate reputation, hitherto rated as good in the oil industry.

The accident to the Exxon Valdez in Alaska's Prince William Sound, involving 10m gallons of oil, may make it harder for oil companies to win much-coveted permission for further oil drilling in Alaska and other offshore areas. A Senate bill opening up drilling in the Arctic National Wildlife Reserve is expected to be delayed.

In Washington, Mr William Reilly, head of the Environmental Protection Agency, said late on Sunday he had launched a full review of environmental safeguards involving Alaskan oil development, including those involving potential drilling in the Reserve.

"We are going to take environmental planning completely apart for every aspect of Alaskan oil development and make sure it as sound and as careful as we can possibly make it," he said.

The review of long-range federal policy is likely to focus on production and shipment of Alaska's North Slope oil as well as proposed exploration in the other wilderness areas, Mr Reilly said. The review would be presented to President George Bush within 30 days.

The Valdez spill is shaping up as a test for Mr Bush, who during last year's election campaign proclaimed his desire to be "the Environment President".

Mr Bush has rejected the idea of a federal takeover of the Valdez clean-up, although some of his officials, notably Mr Reilly, have voiced doubts about the effectiveness of Exxon's effort. Mr Bush, who was an oilman in Texas before he moved into politics in the 1960s, has sent three officials to the site of the accident but declined further involvement.

US environmental groups, however, are mobilising with fund-raising drives and direct mail shots aimed at exploiting the nightly television shots of oil-soaked birds and the swirling brown slick which has grown to the size of Rhode Island.

Their campaign has a broader goal: the desire to re-awaken the American public's consciousness after the Reagan years, when business appeared to take precedent over environmental regulation. There are already signs of a turnaround in public opinion.

Last month, regional officials in Southern California voted to impose drastic restrictions to deal with air pollution, including phased outlawing of gasoline-powered lawnmowers, a ban on lighter fluid for barbecues, the virtual elimination of free parking, and a requirement that all cars be converted to "clean" fuels by the year 2007. The measures need to be approved at local level.

Summit watchers tire of 'suspense'

By Tim Coone in Havana

"THIS is CBS news. Move your f—ing head." Mr Mikhail Gorbachev looked unruffled. Now accustomed to the sometimes less-than-genteel manners of the Western media, the Soviet leader seemed to understand that the US television cameraman was shouting at a Cuban photographer blocking the shot and not at him. President Fidel Castro meanwhile frowned at a microphone boom.

The foreign press corps, arriving like a herd of wild elephants, is in the Cuban capital of Havana for the media event of the month, the Gorbachev-Castro summit. The US TV stations are spending millions of dollars to cover the occasion. The careers of anchormen – the well-scrubbed, blue-blazered presenters in front of the cameras – can be ruined for the sake of a lost photo opportunity. The TV networks monitor each other's walkie-talkie radio channels to make sure they are not missing anything.

Meanwhile in the absence of official comment and starved of news, the low-tech, low-budget representatives of the written press sip rum cocktails late into the night at the large circular bar in the Havana Libre Hotel, grabbing furiously at speculative straws for a story: Will the Soviet Union write-off the Cuban debt? Will Mikhail and Raisa, his wife, sleep in separate beds? What was the brief comment Fidel made to the US ambassador at the airport? How many turned out to welcome Gorby?

Raisa Gorbachev looks on as her husband embraces Castro at Cuba's Jose Marti airport

Some important statements and initiatives are expected as a result of the summit but as a member of the Soviet politburo told journalists last Friday: "I can say no more for now. We must maintain the suspense."

The desperation of the TV crews is a subject of great hilarity. To enliven the event, someone cruelly suggests a simple act of sabotage of sticking a pin in the satellite feed cable.

But later today the suspense will be over. The summit climax will be Mr Gorbachev's address to the Cuban National Assembly and the posterior signing of a 25-year Friendship and Economic Co-operation Treaty. Any big initiative will be announced then.

His speech to the UN last December, recommending the cancellation of the foreign debt of some Third World countries, has prompted rumours that he will decide to cancel Cuba's estimated $10bn debt with the Soviet Union. He said then: "The Soviet Union is prepared to declare a long-term moratorium, up to 100 years, on the debt payment of the least-developed countries, and in some cases to write it off completely."

Such a move, made on his first visit to Latin America, would be seen as a political coup. It would clear the way for a much greater Soviet role on the Latin American political stage, especially with countries such as Mexico, Brazil and Argentina, the biggest debtors but also the continent's most powerful nations.

The vast US media machine waits vainly for some sign of hostility or tension between the two communist leaders, because of their differing views about the path to socialism, and this stampede for a sensationalist scoop is obscuring the underlying significance of the summit – the future roles of Cuba and the Soviet Union in Latin America. Little is it realised that on this subject at least the two leaders think almost as one man.

The machine has seized, but Daley still wants it

Lionel Barber on the race to be mayor of Chicago

RICHARD M. Daley stretched out a wary hand and stroked the nose of Luthor, the pet shop leopard. The cameras clicked, Luthor playfully rattled his steel neck brace, and the putative next mayor of Chicago let out a sigh of relief almost audible across the West Side.

Mr Daley possesses a boyish charm which eluded his father, the infamous Boss who ruled the city for 21 years until his death in 1976. Richard Daley Junior, 46, is a short, stocky man with a mop of jet-black hair, watery blue eyes and a speech pattern which regularly emasculates the English language.

"Dese people don't know what dere talkin' about," he says, the snap response to criticism. More often than not, it focuses on his eight years as State Attorney when he never found time to either interview a witness or appear in court. Mr Daley flunked his law exams twice, but he has no hesitation in making competence and leadership his campaign slogans in the run-up to the mayoral election today.

As the Democratic Party nominee in this historically Democratic and racially polarised city, Mr Daley is running between 12 and 20 points ahead of his black rival, Mr Tim Evans, an independent. Mr Edward "Fast Eddie" Vrdolyak, the Republican nominee, is way behind.

The final result may well be closer, but the Daley campaign – boosted by a $8m war chest – has proved best able to exploit the election's most serious issue, the seething discontent of voters with City Hall and its suffocating bureaucracy.

Chicago is the country's third-largest city after New York and Los Angeles. More than 40,000 people work for City Hall which is about one employee per 76 citizens – and that does not include the equally bloated Chicago Housing Authority, the Chicago Transit Authority and the Board of Education which has a $2bn annual budget and one of the worst high school drop-out rates in the US.

"Half of Chicago's schools are in the bottom 1 per cent of the country," says Mr Frank Kruesi, a top Daley campaign aide.

In Boss Daley's day, the vast bureaucracy served as a well-greased political machine to produce the necessary votes to ensure political continuity. But the machine has broken down, the city's needs have expanded, and the once subservient voters are demanding a decent service from their municipal government.

Mr Ignacy Stachwa, 74, who came to Chicago 35 years from Poland, says Boss Daley's greatest achievement was to make the street lights work and the trains run on time. Today, he complains, nobody cleans the sewers: "They're completely clogged up, the basements are flooding, and the property prices are falling."

In the city's Department of Revenue, chaos rules. Written records are next to non-existent, and the lack of an up-to-date computer system means that $150m in police parking tickets is owing, according to Daley camp estimates. In a city which has seen 17 major elections in the last 18 years, Mr Kruesi says: "People are tired of the rhetoric, they just want the job done."

Mr Daley – who was whipped when he first ran for mayor in 1983 – has positioned himself cleverly this time round. Because of the prominence of the word "reform" as the rallying cry against his father, he has had to use code words such as "progressive". At the same time, he has courted swing votes among Hispanics and the wealthy "lakeside liberals" – even appealing to homosexuals and appearing to be in favour of a women's choice on abortion, which Boss Daley would have regarded as heresy.

The Daley campaign has thus been able to make inroads into the liberal, black coalition which propelled Harold Washington to power in 1983 as the city's first black mayor. This is the coalition which Mr Evans, a lawyer and city alderman, must resurrect if he is to have a chance of victory.

On the predominantly black South Side, Mr Evans appeared at a weekend rally at the headquarters of Operation Push, the civil rights organisation founded in a former synagogue by the Rev Jesse Jackson, the once-and-future Democratic presidential candidate. Against the background of a gospel choir, interspersed with lilting organ music, Mr Evans spoke for 10 minutes, Mr Jackson for an hour.

The themes are racial in tone: keep hope for blacks alive, dignity for black people – all code for keeping the vast mayoral patronage system in black hands. But the black community in Chicago remains split after the Democratic primary this year in which Mr Daley beat incumbent mayor Mr Eugene Sawyer, who succeeded Mr Washington in 1987 but only after he had accepted the support of white aldermen.

Despite a brief hunger strike, Mr Jackson has not been able to work his usual magic in uniting the black community. He failed to persuade Mr Evans to support Mr Sawyer who is therefore remaining neutral in this race. Mr Jackson meanwhile faces criticism from the National Democratic Party for playing the racial card instead of rallying around Mr Daley.

The overwhelming fact is that Mr Evans needs every black vote he can get. Chicago is 42 per cent white, 41 per cent black and 14 per cent Hispanic. But in voter registration, the city is 43 per cent white, 42 per cent black and 8 per cent Hispanic. With many Hispanics leaning towards Mr Daley – presumably in the hope that he will be more generous in patronage than the Washington-Sawyer regimes – Mr Evans's only hope is an unprecedented turn-out of the black vote.

Argentine banks closed

By Gary Mead in Buenos Aires

ALL banking and financial operations shut down in Argentina yesterday as the new economic team led by Mr Juan Carlos Pugliese deliberated on measures to be announced today or tomorrow.

Speculation continued that the bank holiday, announced late on Sunday, might be extended until tomorrow.

It is likely that Mr Pugliese's first steps as Economy Minister will be to simplify Argentina's exchange rates, devalue the austral by as much as 30 per cent and try to reach a price control agreement with industrialists. He may also increase public sector wages by as much as 15 per cent.

The weekend resignations of President Raúl Alfonsín's economic team left several important posts vacant. Only Mr Pugliese and Mr Enrique Garcia Vazquez (as president of the central bank) have been confirmed.

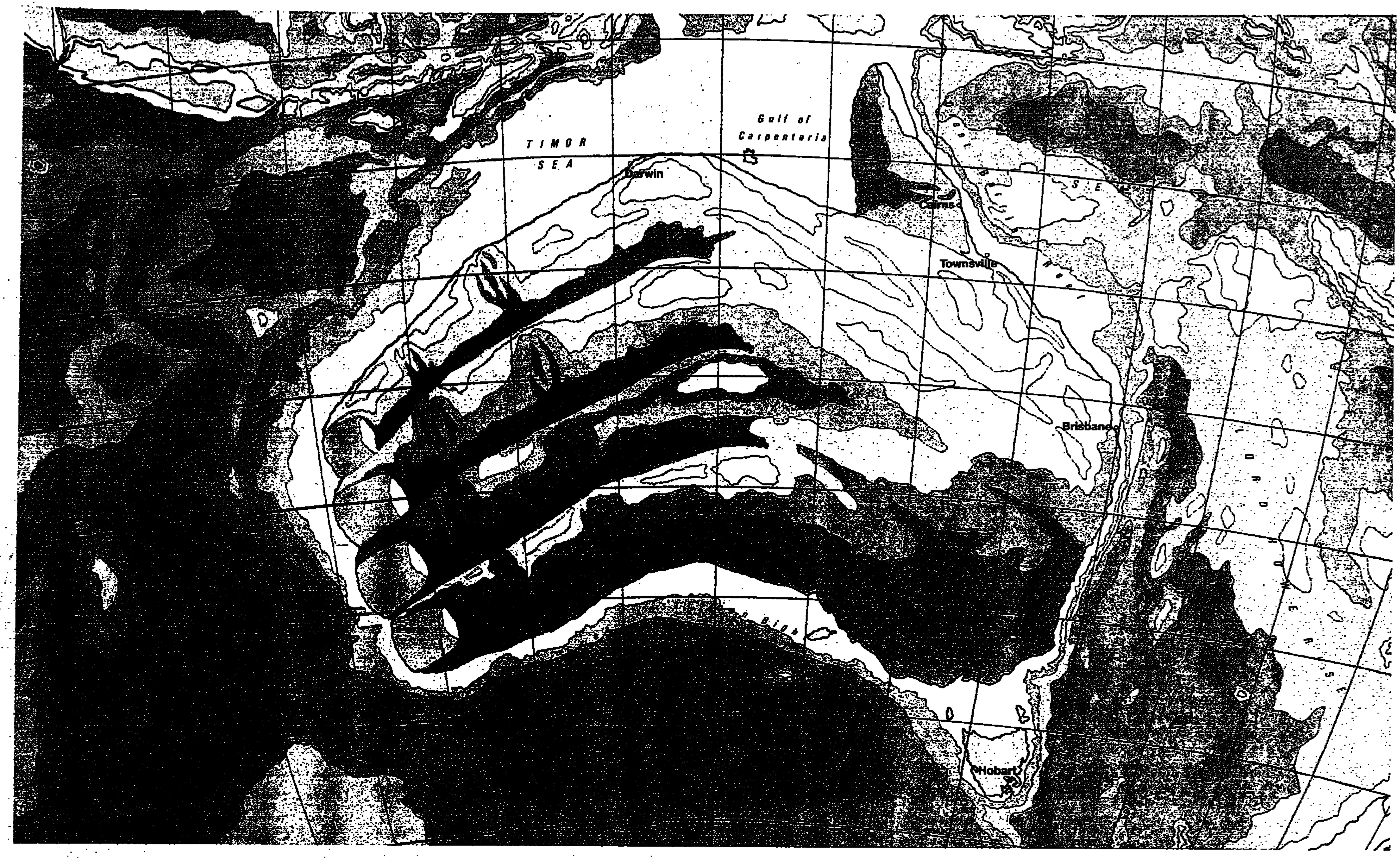
The usually bustling streets of Buenos Aires's financial centre were quiet yesterday. Currency dealers removed from their windows all quotations for foreign currency. Dealers prepared to quote a price for the US dollar offered 37 australs, compared with last week's high of 50 australs.

Mr Pugliese is under pressure to achieve two short-term objectives before the presidential election of May 14.

He hopes to calm financial speculation, which since the start of February has seen a sharp free-rate depreciation of the austral.

At the same time inflation, his other concern, looks like reaching 20 per cent for April, with wages and public sector tariffs lagging far behind. The treasury has severe deficit problems and foreign currency reserves are now believed to be considerably less than $1bn.

Mr Pugliese needs to stem such urgent economic problems to improve the chances of Mr Eduardo Angeloz, his party's presidential candidate, who now has less than 40 days until the election. He has an uphill task to win a majority.



NO OTHER AIRLINE KNOWS AUSTRALIA SO WELL.

But then, no other airline flies to as much of it as we do. Or flies there as often. (There are 10 departures every week, to 9 different cities.)

When you come from a country the size of a continent, you get to learn a thing or two about long distance travel. One of the things being that the best way to make a long journey easier is to make it shorter.

So we've chosen the fastest routes, with the fewest stops. And once on board, you'll find that we do that little bit more to help the time fly.

Perhaps that's why more people choose to travel to Australia with Qantas than with any other airline. Or perhaps it's because, to us, Australia isn't just another destination. It's home. QANTAS

Warning on eve of Gorbachev visit to UK

Howe says cuts in Soviet army key to security

By Robert Mauthner, Diplomatic Correspondent

SIR Geoffrey Howe, the British Foreign Secretary, yesterday gave a chilly advance welcome to Mr Mikhail Gorbachev, the Soviet leader, on the eve of his visit to Britain, by describing the Soviet army as "this huge bear", looming over the European continent.

Sir Geoffrey, who was participating in a BBC TV Panorama programme entitled The Peace Offensive, said the reduction of the "massive, tremendously well-armed" Red Army was the key to giving the Western countries a greater sense of security.

Earlier on in the programme, the Foreign Secretary stressed that Western public opinion must continue to be made aware that, despite Mr Gorbachev's arms control initiatives, the Soviet threat could readily recur. It was interesting to see the way in which the Soviet Union was constantly "seeking to beguile public opinion by throwing something else into the pot."

"I have said many times that, when you are as heavily-armed as they are, when you have got a well-stocked hatful of well-armed rabbits, you can go on producing rabbits from the hat for a long time to come. We in the West have to maintain our commitment to our security and the agenda that we have set."

Asked how Nato could justify to Western and West German public opinion the modernisation of short-range nuclear missiles based on German soil, Sir Geoffrey replied: "most simply by the extent to which there has been taking place a massive modernisation of Soviet short-range nuclear weapons."

"They have modernised with SS21 missiles, with Backfire and dual capable aircraft. They have got a huge range of short-range systems in place and we cannot afford to allow our comparable weapons to fall out-of-date."

Mr Henry Kissinger, the former US Secretary of State, said on the same programme that he thought Mr Gorbachev was doing something very dangerous with the West Germans. "He's unleasing a sort of romantic nationalism. They want to be in Nato, they want to be active in Eastern Europe, they want to be close to Washington." Although these were all highly desirable objectives, several of them happened to be incompatible with each other.

Sir Geoffrey's call for the modernisation of tactical nuclear weapons in Europe was denounced yesterday by the Soviet Communist Party daily Pravda, which said that it could "hurt East-West trust."

Toyota prepares for union talks on vehicle plants

By Charles Leadbeater, Labour Editor

CAR INDUSTRY union leaders expect a full team of executives from Toyota, the Japanese vehicle manufacturer, to arrive in the UK next week, to hold talks with unions about collective bargaining arrangements for the assembly and engine plants it plans to build.

It is expected that all the unions which have expressed an interest in being recognised for collective bargaining at the £600m plant will be called to a joint meeting with the company within two weeks.

The issue of union recognition at the plant will test the Trade Union Congress's ability to minimise inter-union conflict over single union agreements. Union leaders believe it is almost certain that Toyota will want a single union, no-strike deal. Unions are barred by the TUC from signing such agreements to win recognition from an employer.

Treasury joins bid to boost water sale

By Philip Stephens, Political Editor

THE TREASURY yesterday joined the Government's attempt to defuse mounting criticism of its planned privatisation of the water industry with a strong defence of potential economic gains of the sale for consumers.

Mr Norman Lamont, the Financial Secretary to the Treasury, also sought to underline the Government's determination to use the November sale to boost the spread of share ownership.

His speech, to a meeting in his constituency in Kingston, south-west London, preceded today's final debate in the House of Commons on the privatisation before the water bill moves to the House of Lords. The opposition Labour party has indicated that it will maintain a vigorous campaign against the bill during its passage through the Lords.

It also reflected the concern of Mrs Margaret Thatcher, the Prime Minister, that ministers from outside the Department of the Environment demonstrate support for the sale.

Mr Lamont, who is charged with co-ordinating the Government's overall privatisation programme, said that much of the debate over the water sale focused on technical issues peculiar to the industry. But the case for privatisation of water was essentially the same as that for any other industry.

Experience, and the privatisation programme had demonstrated, that businesses were better run in the private sector, and that applied also to monopolies.

In the water industry, the improved efficiency which would follow from allowing managers the freedom to manage and to make their own investment decisions would be complemented by the competitive pressures which would result from movements in share prices.

Mr Lamont said it was clear that monopolies needed to be regulated, but the history of state ownership in Britain indicated that the Government was unlikely to regulate either effectively or impartially what it owned.

No delay for health reform, says minister

By John Gapper, Labour Correspondent

THE GOVERNMENT'S controversial proposed reforms of the National Health Service will be implemented within two years despite opposition from doctors and nurses, Mr Kenneth Clarke, Health Secretary, insisted yesterday.

Mr Clarke told the Royal College of Nursing's annual congress in Blackpool the reforms would go ahead despite criticism from the RCN and the British Medical Association, which represents doctors. Only details of their implementation were undecided.

"No-one should have any doubt that the reforms of the NHS are going to happen," said Mr Clarke, whose speech was received politely but sceptically by the 1,000 delegates. He said many of the criticisms so far had been confused.

The BMA has allocated £3m to a campaign against proposed changes linking pay to performance targets and the RCN is to debate today a move from its ruling council to launch a similar public campaign costing at least £250,000.

Ms Maude Storey, RCN president, speaking before Mr Clarke, made a strong attack on the reforms proposals outlined in a White Paper (policy document). She said self-governing hospitals would become "high-tech treatment factories."

Ms Storey said the White Paper failed to address the main problem facing the NHS – the growth in the number of elderly and mentally ill needing care. Instead, it concentrated on the more glamorous clinical services.

In reply, Mr Clarke said the Government would soon produce its long-awaited response to the proposals by Sir Roy Griffiths for the future framework of community care. He said he believed that criticism of NHS reforms were misplaced.

Mr Clarke said the RCN had a chance to discuss with the Government how the proposals would be implemented, but there would be no delay in making 260 hospitals self-governing by 1991, with freedom to vary pay rates.

Speaking afterwards, Mr Clarke said criticism of the NHS reforms by professional groups reminded him of "a nationalised industry of the 1960s" and he believed there was more local support than the RCN or the BMA admitted.

Comparing the RCN's proposed campaign to one in 1984 against the introduction of general managers into the National Health Service, he said such hostility tended to "vanish like snow off a ditch when you have actually implemented your reforms."

He said he could not see any point in pouring great sums of money into a campaign against reforms that were inevitable. Mr Trevor Clay, RCN general secretary, said he had not been reassured by Mr Clarke's speech.

Mr Kenneth Clarke

Kinnock commits Labour to fight on social equality

By Michael Cassell, Political Correspondent

MR NEIL KINNOCK, the Labour leader, last night attacked the Government for intentionally pursuing a programme of growing inequality and pledged the next Labour government to achieving new standards of social justice and economic efficiency.

In the second of a series of keynote speeches setting out the framework for Labour's policy review, now entering its final stages, Mr Kinnock accused Mrs Margaret Thatcher, Prime Minister, of helping the best off, in the hope that the social and economic advantages would "trickle down" to everyone else.

The result, he said, had been an increase in inequality, in which the wealthiest 10 per cent of society had seen real incomes rise by well over 25 per cent. The bottom 20 per cent had suffered real cuts in income.

During the years of Thatcherism's "economic miracle", Mr Kinnock claimed, 4m more people had found themselves living in poverty. The British people were paying about £10bn a year more in real terms in taxes than under the last Labour government and the tax burden was less fairly distributed.

The Labour leader also attacked Mr Nigel Lawson, Chancellor of the Exchequer, for "a consistent programme of redistribution to the rich from the rest", which many people believed to be morally offensive. The strategy, he added, did not "just fail the test of ethics, it fails the test of economics just as conclusively."

Mr Kinnock said the government's attempt to stimulate initiative had completely failed, with the savings ratio at a record low, investment levels down as a proportion of gross national product and a huge increase in imports. The outcome had resulted in social injustice and economic incompetence.

He said Labour's policy review was compiling proposals intended to build prosperity and competitiveness. An attack on poverty, unemployment, lack of opportunity and underperformance was a central part of its strategy.

Mr Kinnock pledged Labour to restore economic balance to the regions and nations of Britain while relieving congestion in the south of England.

A framework of benefits offering fairness and efficiency through a new social insurance scheme, combined with a revised system of personal taxation, would also be introduced, although he emphasised that plans to raise the wages of the low-paid would take time. Britain, he said, was the only EC member nation with no legal minimum wage.

Institute of Directors' chief appointed

MR PETER Morgan will succeed Sir John Hoskyns as director general of the Institute of Directors, writes Hazel Duffy. His appointment, announced yesterday, will take effect from July 3.

Mr Morgan, 52, is director of corporate services with IBM (UK). Sir Adam Thomson, chairman of the IoD, said that "Peter Morgan's experience and expertise in business at all levels match precisely the qualities required in the director general of the IoD".

The IoD is one of the most important business lobby groups in the UK. It tends to portray itself as the voice of the individual business person, while the Confederation of British Industry conveys the corporate view.

Slowdown uncertain as sales show jump

By Ralph Atkins, Economics Staff

UNCERTAINTY about the rate of slowdown in British consumer spending intensified yesterday after official figures showing a record jump in retail sales and continued growth in consumer credit.

Revised Department of Trade and Industry figures showed retail sales volumes rose by 3.1 per cent in February after adjustment for normal seasonal variations. Provisional figures had shown a rise of 2.5 per cent.

The increase suggested that the expected economic slowdown will be bumpy and could take longer than previously thought. However, most analysts thought that the current level of interest rates would be sufficient to dampen demand. London base rates are 13 per cent.

Figures for the three months to February, which give the best guide to the underlying trend, show sales were unchanged from the previous three months and 4 per cent higher than the corresponding period a year earlier. Last summer, the underlying growth rate reached peaks of about 7 per cent.

Recent months' retail sales figures have moved erratically and have almost certainly been distorted by unseasonally mild weather. New year cut-price sales were also brought forward into December which could have artificially lowered January's figures.

Other figures showed the amount outstanding on consumer credit agreements increased by a seasonally-adjusted £264m in February. That compared with £224m in January but otherwise was the lowest increase since October.

In the three months to February, the amount outstanding increased by £783m. That was down from £854m in the previous three months period and the smallest quarterly increase since the last three months of 1986, suggesting consumers' appetites for credit have moderated.

The figures cover bank credit cards and agreements with retailers, building societies and finance houses. At the end of February the amount outstanding was £27.24bn.

New credit advanced on consumer credit agreements, before taking account of repayments, reached £3.65bn in February, up from £3.49bn in January.

The value of retail sales in February was £8.22bn, 9 per cent higher than a year year. The revised seasonally-adjusted index of retail sales volumes stood at a record 141.7 (1980=100) compared with 137.4 in January.

The full impact of higher interest rates may not yet have fed through to sales figures.

UK NEWS

Young rejects call to publish report

By Philip Stephens and Raymond Hughes

LORD YOUNG, the Trade and Industry Secretary, yesterday launched a scathing attack on the Observer newspaper and its owners, Lonhro, the international trading group, for publishing extracts of the official report on the takeover of House of Fraser by the Fayed brothers.

In a lengthy statement to the House of Lords, he also insisted that premature publication of the full Department of Trade and Industry inspectors' report could wreck the prospects of any criminal prosecutions which might arise from the takeover.

Lord Young bluntly refused to bow to pressure from opposition peers to publish the report immediately after the Observer's disclosure last week of its key conclusions.

Instead he rounded on the Observer for what he termed its "unlawful and irresponsible" action in publishing details of the leaked document.

He accused Lonhro of a "grave breach of confidence" and of Crown Copyright which could prejudice legal proceedings next week in which the Government will defend before the Law Lords its decision not to publish.

He said that Sir Edward du Cann, Lonrho's chairman, had shown an "extraordinary lack of respect for the due process of law," in refusing to return all the copies of the leaked document.

In those circumstances, the Government was applying for a High Court order to secure the return of remaining copies, together with damages and an affidavit detailing how the original reached Lonhro, Lord Young said.

Meanwhile, in the High Court in London yesterday Lonrho won a variation in the injunction granted last week banning disclosure of details of the report.

After a three-hour private hearing Mr Justice Tudor Evans agreed to allow media reporting of any parts of the report quoted in Parliament or in open court hearings.

The judge upheld objections by the DTI and the Al Fayeds to Lonrho's plea to be allowed to give copies of the report to all MPs.

He adjourned until another court hearing on Thursday the DTI's application for an order forcing Lonrho to hand over all its copies of the report.

Next Monday Lonrho will appeal to the Law Lords against the Court of Appeal's refusal in January to order Lord Young to refer the Fraser acquisition to the Monopolies and Mergers Commission and to reconsider his decision not to publish his inspectors' report while the Serious Fraud Office is considering whether it gives grounds for prosecution.

Lonrho will invite the Law Lords to look at the leaked report.

If they agree to allow parts to be read out the media would, under the terms of yesterday's variation of the injunction, be able to publish the extracts.

Hurdles to leap on the path to Harrods

David Waller looks at regulatory obstacles facing Tiny Rowland

AMID all the hubbub surrounding the banning of last week's mid-week edition of The Observer newspaper, it was easy to lose sight of Mr "Tiny" Rowland's overriding objective in pursuing his campaign against the Fayed brothers, the Egyptian owners of the House of Fraser stores chain.

Ever since 1977, the Lonrho chief executive has wanted to acquire House of Fraser and Harrods, its flagship store in Knightsbridge. Despite a number of setbacks – not least the Fayeds managing to buy the company back in 1985 – that ambition remains intact.

Mr Mohamed Al Fayed, the Harrods chairman

Given that the Fayeds have no present inclination to sell House of Fraser, there is only one way for Mr Rowland to get what he wants. That is forcible divestment – at the insistence of the Government under powers contained in the Fair Trading Act.

Such powers are rarely used, if only because contentious mergers are usually blocked by the Monoploies and Mergers Commission before they take effect. And when divestment is ordered – as in the case of Elders' holding in Scottish & Newcastle last month – it is usually the sale of a share stake that is required, rather than the unscrambling of a takeover which took place four years ago.

Lonrho has numerous regulatory hurdles to leap before this divestment could actually happen. First of all, the Fayed takeover of House of Fraser in 1985 must be referred to the MMC. Then the the MMC must carry out an investigation into the takeover – this could take up to three months.

The MMC must decide that the takeover created a situation which operated against the public interest. It must then suggest remedies for reversing this situation, and one of those remedies must be the forced sale of the Harrods empire. The disposal must be executed in such a way that Lonrho ends up with its quarry.

The MMC can only suggest remedies: it is the Secretary of State for Trade and Industry who has the real power. For Lonrho to be successful, he must decide to implement the MMC's recommendations. He must not exercise his discretionary power to overrule the MMC entirely.

The first step is to persuade the Government – in the form of Lord Young, the Trade Secretary – to refer the bid to the MMC. Unfortunately for Lonrho, Lord Young has already decided not to refer the bid, and said as much in November.

The object of Lonrho's campaign of litigation since then has been the forced reversal of Lord Young's decision – together with the publication of the inspectors' report.

Lonrho is less inclined to seek publication of the report, now that the most important parts of it have been circulated in last week's special edition of the Observer.

Sir Edward du Cann, the former chairman of the Tory Party who is now chairman of Lonrho, said that the company was considering dropping that part of its appeal when it goes to the House of Lords next Monday. The focus of the appeal would thus be on getting the reference to the MMC.

The courts have never sided with Lonrho on this point. The High Court ruled that Lord Young must reconsider his decision not to publish, but rejected Lonrho's claim for an order forcing Lord Young to refer the House of Fraser acquisiton.

In January, the Court of Appeal followed the High Court on this point – and overturned Lonrho's earlier victory on the matter of publication.

Even if Lonrho is successful next week, the path to ownership of House of Fraser would still be fraught with uncertainties. Under the cirumstances City analysts said yesterday that the possiblity of Lonrho actually ending up as the owner of House of Fraser was too remote to influence the share price.

London to introduce paperless settlement

By Clive Wolman

THE LONDON Stock Exchange Council yesterday accepted the recommendations of its Siscot committee to introduce a paperless system of settling share bargains and registering share ownership. The system will involve an extension of the computerised system, Sepon, it uses for market-makers.

The committee, set up in November, decided against the original, more ambitious plan for setting up a centralised electronic share register which would contain the names of a company's individual shareholders. This option, on which work started in 1982, was rejected on the grounds that it would cost as much as £60m.

Siscot has calculated that the Sepon option will cost at least £14.5m to develop, plus capital costs of £3.5m. The average charge to cover development costs over five years on the basis of 20,000 transactions per day would be 80p per transaction. No account is taken of a return on the capital invested.

A more detailed study is to be developed by Touche Ross management consultants using as the basis for comparison the status quo, rather than any of the alternative reform proposals considered by Siscot.

Mr Andrew Hugh Smith, Stock Exchange chairman, said he expected the new system to become available by the middle of next year, if the outstanding issues could be resolved. Chief among these is whether the system will give companies sufficient ease of access to their list of shareholders, most of whom will be held in about 1,000 sub-registers by nominee companies.

Several companies have expressed reservations. But Mr Patrick Mitford Slade, chairman of the Siscot committee, said he was confident that arrangements could be made to assuage their doubts. The new service, Siscot has suggested, would mean that companies would be informed rapidly of all new or increased shareholdings by information being sent from the sub-registers, or when the number of shares in a sub-account exceeded a threshold.

Lex, Page 24

British submarines 'in contention' for Canadian contract

By David Owen in Toronto

BRITAIN appears to have moved back into strong contention for a C$8bn (£3.9bn) contract to supply Canada with a design for a fleet of nuclear-powered submarines.

This follows indications that Britain may allow Canada greater access to sensitive technology if Canada chooses the Trafalgar-class submarine manufactured by Vickers Shipbuilding & Engineering in preference to its smaller and cheaper French rival, the Amethyste class.

The Amethyste had been tipped to win since last spring, partly because it was believed to be preferred by the Canadian defence department.

However, according to people close to the contract negotiations, all the signals are that the Trafalgar is "more in pole position than ever before."

Specifically, it is thought that Britain has offered a commitment to pass on to Canada future modifications or improvements in Trafalgar technology.

There are also suggestions that Canada may be permitted to tender for future Royal Navy contracts and may also be given some access to the technology involving a new generation of vessels under development. However, the new vessels – like the Trafalgar – will be subject to a Washington veto regarding the transfer of US reactor technology.

The Canadian Defence Department would not comment yesterday on any talks, saying that no decision regarding the country of origin had yet been made.

SNA Canada, the French-controlled company formed to direct the sale of the Amethyste to Canada, said yesterday that it was unaware of any new British offer. However, if it emerged that Ottawa had introduced new criteria into the selection process, the company would request an opportunity to adjust its offer.

Petrol price rises leave discount on lead-free

By Maurice Samuelson

ESSO and British Petroleum yesterday raised their petrol prices in line with those of Texaco and Shell, which were increased last week by 6.8p to about £1.88 per gallon of four-star (high octane).

Both companies are also keeping lead-free petrol 10p a gallon cheaper than four-star.

The price rises coincide with the launch of a £1m Government advertising campaign intended to encourage motorists to convert their vehicles to lead-free petrol.

A survey last week showed that more than a third of the UK's 20,000 petrol stations sell unleaded, compared with only a fifth last year.

The survey, by the UK Petroleum Industry Association, found that 7,620 petrol stations had at least one unleaded pump, giving a 38 per cent coverage. This compared with just over 4,000 petrol stations at the end of 1988 and only about 800 a year ago.

Chunnel costs revised higher

By Andrew Taylor in London and Paul Betts in Paris

THE cost of the Channel Tunnel could rise by about £160m or FFr1.6bn if contractors meet new production targets and a revised completion date of June 15 1993, Mr André Bernard, Eurotunnel's French chairman, said yesterday.

Mr Bernard said the project's cost could rise to FFr54.5bn from the initial target of FFr 52.7bn after a compromise agreement between the Eurotunnel and Transmanche Link (TML), the contractors. Details of the agreement, reached in January, were revealed for the first time yesterday.

Eurotunnel's share price jumped 18p to 827p in London after details of the agreement with the contractors and news that progress digging the tunnel has improved substantially since last summer.

Mr Alastair Morton and Mr Bernard, joint British and French chairmen of Eurotunnel, said revised cost figures would be announced this autumn when Eurotunnel publishes its interim results.

The two chairmen separately hosted conferences yesterday in London and Calais to announce Eurotunnel's results for 12 months to December 31.

The new agreement with the contractors allows for the project to be completed one month later than planned. It also settles a series of outstanding claims lodged by the contractors against Eurotunnel over delays in arranging finance for the project, which Transmanche said had held up preparatory work.

Mr Morton said contractors would receive additional bonuses of up to £100m if they met all of the production targets in the new agreement. The bonuses included a £40m lump sum if the contractors met the completion deadline.

Incentive payments would fall sharply if the deadlines were missed, said Mr Morton. The agreement allows the contractors to claw back previous penalties, thought to be about £10m, if they complete on time.

Mr Morton said 8km had been dug in the first three months of this year compared with just over 7km for the whole of last year.

Just over 15km out of 150km in two rail tunnels and one service tunnel had been completed by the end of March this year. About a quarter of the project, including preparatory work had been completed, said the British chairman.

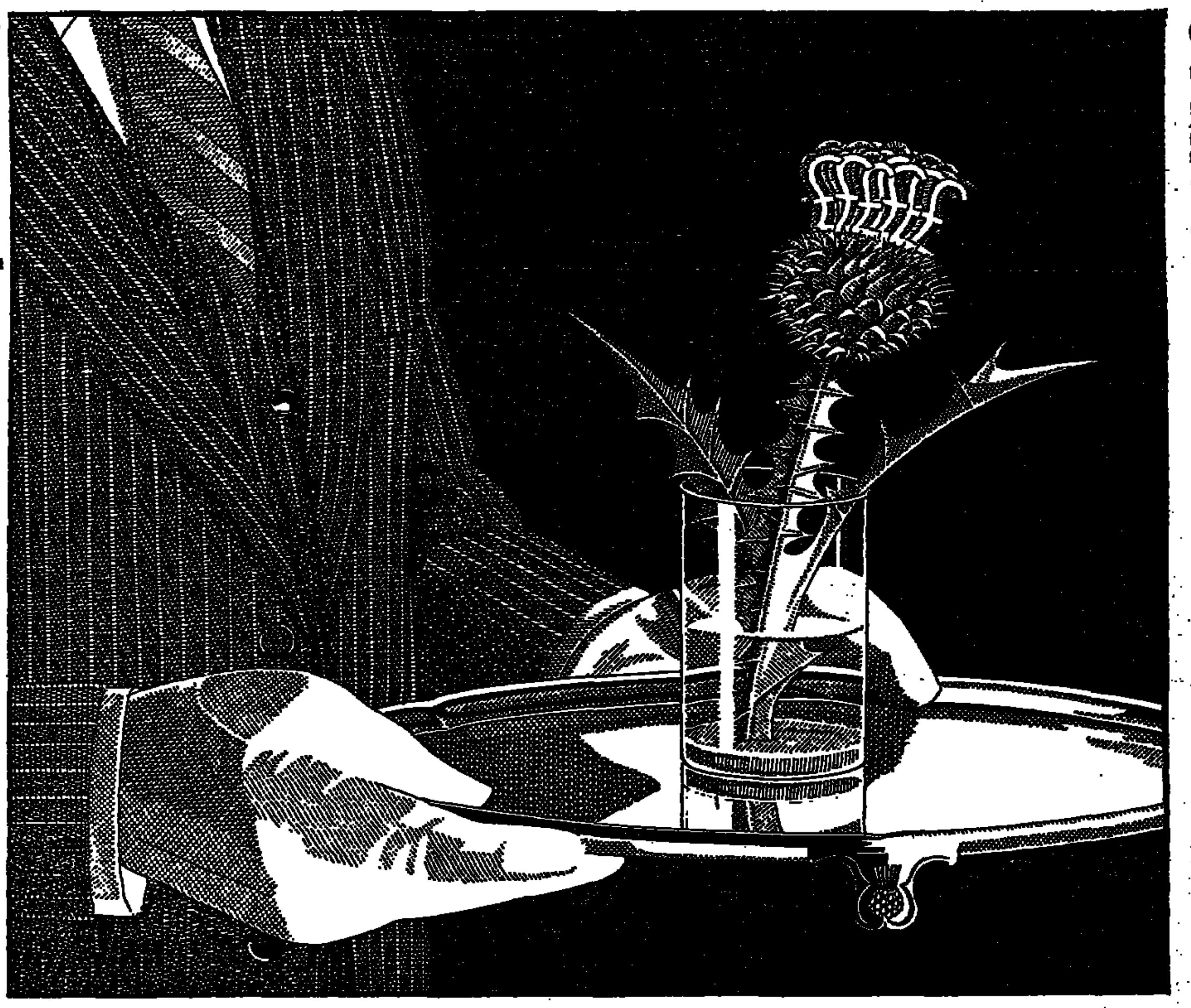
The annual results published yesterday show that Eurotunnel spent £551m last year on the project, including construction costs of £389m.

Of this 80 per cent had been spent on tunnelling and about 20 per cent on groundworks for the terminals at either end of the tunnel.

About £475m had been drawn down from the £5bn loan facility with the banks of this £374m had been in French francs.

FINANCIAL TIMES SURVEY

Britain's biggest financial centre outside London offers a flourishing picture. But it faces several challenges, reports **James Buxton**, including the single European market, modest Scottish employment growth, and a threat to the life companies' network.



Scottish Financial and Professional Services

CONTENTS

☐ Illustration: Robin MacFarlan

Opportunity returns

A FEW months ago there was a furore in the Scottish financial establishment, when two academics published a paper that challenged some cherished beliefs about Scotland's financial services industry.

Prof Paul Draper and Mr Bill Stewart, of Strathclyde University, suggested that Scotland's prized financial community, usually seen as a bright spot against a mixed economic background, might actually be a source of weakness to Scotland. It had not grown as quickly as some other British financial centres, they said, and suggested that it had missed opportunities, was too conservatively managed, and had yet to adapt to an environment in which "the customer is largely indifferent to ownership and headquarters location".

The authors badly weakened their case by using official employment figures for financial services only going up to 1984, yoking them to an analysis of the Scottish financial services industry of nearly five years later. But the angry reaction to the study showed it had touched some tender nerves.

There are pockets of uncertainty about the future in the Scottish financial sector, but at present it offers a flourishing picture. Prof Jack Shaw, who runs Scottish Financial Enterprise (SFE), an organisation set up in 1986 to promote and invigorate it, points out that: "Here in Scotland, in an economy that has been in relative decline for 70 years, in a financial community that has no autonomous securities markets of its own, it's a remarkable achievement that such a strong financial sector exists."

Unlike any other part of Britain, except London, Scotland has three indigenous clearing banks, the Royal Bank of Scotland, the Bank of Scotland and the Clydesdale. It has about a fifth of the UK's life assurance market, with impressive performers like Standard Life and Scottish Amicable. And it has a fair chunk of Britain's independent fund managers, as well as stockbrokers, corporate finance advisers and the other professional services that one expects from a financial centre, notably corporate lawyers and accountants.

"Scotland's like Boston, versus New York," says Mr Graeme MacLennan, investment director of Ivory & Sime, the Edinburgh fund management group. "Some people feel more comfortable taking their money to a more cerebral centre like this. We're a savings centre, not a market place."

In terms of employment, recent performance has been reasonably good. Figures compiled by SFE suggest that, between January 1986 and January 1989, total employment in financial and related services in Scotland rose from 140,000 to 170,000 – an increase of 20 per cent. The number employed by the Royal Bank of Scotland went up by about 26 per cent over that period to 19,600; and the number of people working in Scotland for Standard Life has risen by no less than 47 per cent to 3,075.

Funds under management rose over the three-year period from £33bn in 1986 to £55bn in 1989, split approximately 70:30 between life assurance and independent fund managers.

The Scots can rejoice that there have been none of the spectacular losses, restructurings and redundancies that have hit the City of London since the crash of October 1987 – Scottish institutions never ventured into market making, and virtually all of them have reported improved results lately. Over the past three years there has been a steady flow of executives moving up to Edinburgh and Glasgow from London.

But Prof Shaw acknowledges that employment growth in Scotland has not been as fast as in some other parts of Britain. Towns such as Cambridge, Bournemouth and Bristol are reckoned to have had faster employment growth in the past few years. These places, he says, are really satellites of London.

But Scotland has had only limited success in attracting decentralised processing centres – they prefer to stay nearer London, and the number of new organisations moving to Scotland is small.

Given the Scottish financial community's relatively narrow base – for example, there are no Scottish building societies that match the giants of the south; and, apart from a trading floor in Glasgow of the International Stock Exchange, there are no markets of any kind – how good are the prospects for the Scottish financial services sector?

The banks recognise that Scotland is over-banked and has more modest economic prospects than the southern part of Britain. The Royal Bank is opening new branches, while the Bank of Scotland is developing markets through products such as its Home and Office Banking system, sold without the need for a big branch network.

The Royal Bank last year bought a bank in the US – Citizens Financial of Rhode Island – and made an imaginative alliance, cemented by cross-shareholdings, with Banco Santander of Spain, which also offers possibilities in both West Germany and Belgium. The Bank of Scotland has yet to match this leap into pre-1992 Europe.

Scotland's life assurance companies have had a superb run in the past few years, but they could now face difficulties. Their immediate growth is likely to be curbed somewhat by the slowing down of new mortgages, as the house-price boom declines. A more serious problem is the threat to the Scottish life assurance companies' distribution channels posed by new regulations controlling intermediaries.

Last year the Scottish life companies put much of their faith in independent intermediaries, but the trend now is towards tied agents and in-house sales staff. Standard Life has set the pace with a dramatic deal with the Halifax Building Society, under which the building society will sell only Standard Life products.

But the Scottish mutual FS showed the way things might go for some of the smaller institutions by deciding to become a subsidiary of the Britannia Building Society. Prof Draper's complaint, that the actuaries who run most Scottish life offices are insufficiently entrepreneurial, is stoutly denied in the industry.

In the past few years, Scottish fund-management companies have developed from being predominantly managers of investment trusts and have obtained pension and other fund management business, while they belatedly became involved in unit trusts.

But investment trusts are under pressure from predators, and some of the independents may be hampered by their lack of marketing strengths in facing competition from the south, where new fund managers are growing fast. Ivory & Sime and Dunedin, with their international outlets, seem reasonably well-placed to compete; as could be Capital House, the fund management offshoot of the Royal Bank Group, with its ready-made marketing outlet through the bank's customer network.

Since opportunities have been missed in the past, the question has to be asked whether institutions are now sufficiently dynamic to seize new chances. Prof Shaw believes the Scottish financial sector is far less reactive than it used to be. SFE is trying to introduce Scottish institutions to some of the other secondary financial centres of Europe, notably Lyons, but many people doubt whether Scottish concerns – with notable exceptions – are sufficiently aware of the possibilities that could open up after 1992.

The Scottish financial institutions, especially the smaller ones, believe that SFE ought to be doing more to promote Scotland generically as a financial centre. "You can't be sure that the people you meet abroad will have heard of Scotland as a financial services producer," says Mr MacLennan, of I & S.

But some of the attention of leaders of the Scottish financial community is turned inward. Part of a financial services centre depends on the strength of local business: if major local industrial companies are taken over, the problems that bankers, accountants and lawyers have to confront on their behalf may diminish in significance, and the people qualifed to solve them may drift away to the south.

The Monopolies and Mergers Commission recognised this in its decision last month to block the bid by Elders IXL for Scottish & Newcastle. It agreed with many people in Scotland that the brewing headquarters which Elders was proposing for Edinburgh would not compensate for the loss of S & N's autonomy.

Prof Shaw, once an opponent of "ring fences" to protect Scottish companies, now believes that they are urgently needed to safeguard regional companies. But there are other prominent figures in Scotland who speak less openly, but who believe that Scots have to be able to compete in the world as it exists. In the past five years the financial sector at least has demonstrated that it can do so.

SCOTLAND: FINANCIAL and PROFESSIONAL 2

Major privatisations are creating work for the financial sector, reports **James Buxton**

Electricity's switch helps light up the gloom

THE SCOTTISH corporate finance sector is stronger than one might have expected, given that Scotland has a small and even dwindling number of quoted companies.

It is also obtaining a boost from a development not available to other British regional financial centres: the privatisation of state-owned Scottish assets.

Two major privatisation schemes are in train: that of the two Scottish electricity boards, the South of Scotland Electricity Board and the North of Scotland Hydro-Electric Board; and that of the Scottish Bus Group, which operates bus companies in many parts of Scotland.

Both are generating work not only for Scottish corporate finance advisers, but for stockbrokers and accountants, and legal, technical and tax advisers.

These schemes will come as an additional boost to a sector that is thriving despite some depressing facts about corporate activity in Scotland. There are only about 75 Scottish-headquartered quoted companies, excluding investment trusts – compared, for example, with more than 200 in the Manchester area alone.

Furthermore, Scotland is reckoned to have contributed only 4 per cent of new entrants to the Stock Exchange and the Unlisted Securities Market since 1980 – indeed, only 20 of the 672 companies quoted on the USM are Scottish. Very few management buy-outs in Scotland have exceeded £10m in value, and only eight of the last 150 MBOs in the UK have involved Scottish companies.

In the 1980s' wave of industrial closures, the effects of the 1986 oil-price collapse and the departure of the early post-war breed of foreign-owned plants left a business community suffering a serious lack of confidence.

That confidence was further dented by takeovers of Scottish-based companies by concerns outside Scotland, that of Distillers by Guinness being notorious.

Scotland is reckoned to have contributed only 4 per cent of new entrants to the Stock Exchange and the Unlisted Securities Market since 1980

But in the past few years several rising new companies have emerged, belying claims that Scotland lacks the spirit of enterprise, and many existing companies have been flourishing.

According to Mr Ian Jones, one of the two senior executives of Quayle Munro, the small Edinburgh corporate finance company: "There are a lot of family-owned companies doing well which don't need a quote."

Some, he believes, are reluctant to go public if it means losing their independence. Scottish corporate finance advisers do an unusually large amount of business of a kind that does not get into the newspapers.

There is little doubt that the leading Scottish corporate finance house is Noble Grossart. Before it was founded in 1969 there was virtually no corporate finance or merchant banking activity in Scotland at all. It still employs only 20 people and is determined to remain small: indeed, it has been criticised for taking too conservative an approach to the development of its business.

British Linen Bank, the wholly-owned merchant bank belonging to the Bank of Scotland, is a much larger institution, employing 165 people and offering a full range of services from corporate finance to investment management and asset finance. It has corporate clients both in Scotland and south of the border, but high-profile merger-and-acquisition work has recently been sparse – though this may not necessarily displease its parent, the Bank of Scotland.

In stark contrast is the much more aggressive Charterhouse, the merchant banking subsidiary of the Royal Bank of Scotland, based largely in London but with its development capital division headquartered in Scotland. Charterhouse recently caused embarrassment to its parent when it acted for News International in its bid for the remaining shares of William Collins – a long-standing client of the Royal Bank.

Two years ago two former Noble Grossart executives, Hugh Barry and Hamish Grossart (Angus Grossart's nephew), took control of Edinburgh Financial Trust, an ailing investment trust. They quickly dropped its trust status and dedicated it to becoming a financial services mini-conglomerate, acquiring a small team of investment managers and establishing an asset finance business. It became known as EFT Group.

Earlier this year there was another major development when Hamish Grossart persuaded Peter Stevenson (who had been a Noble Grossart director until 1986) to join EFT as executive chairman, which absorbed Stevenson's own corporate finance operation, Stevenson Trust, as part of the deal.

The arrival of Stevenson should bring extra business to EFT, but it was achieved at the cost of losing Hugh Barry, who is to set up his own corporate finance operation, taking a number of clients with him. Hamish Grossart, meanwhile, envisages EFT expanding to London and eventually becoming a non-market making merchant bank to match Charterhouse or Lazards.

Quayle Munro demonstrates what a small corporate finance operation can achieve. Formed in 1984, it ony employs only 14 people but has been successful through its shrewd choice of clients: in collaboration with Hoare Govett, it handled the £26m private placing that catapulted Shanks & McEwan, the Glasgow-based waste-disposal company, to the top of the big league in its field, and last year took it public, capitalised at £135m: it is now capitalised at £289m. There has been no deal to match it.

The privatisation of the two electricity boards got off to a controversial start for Scotland when the Scottish Office in 1987 nominated a combined team of Barclays de Zoete Wedd from London and British Linen Bank to advise it – with BLB, which had hoped to become the sole or lead adviser, in second place. But ruffled feathers in the Scottish financial establishment were soothed when shortly afterwards when Noble Grossart was named, along with Samuel Montegue, to advise the SSEB and the Hydro-Board.

A few days later, however, the Hydro-Board decided to take separate advice and appointed Charterhouse. It probably proved to be a wise choice: Charterhouse managed to persuade the Scottish Office to privatise the two boards separately, with both boards having stakes in a vast nuclear subsidiary.

The SSEB's advisers failed to convince the Scottish Office that it was more logical to keep the two boards, whose operations are closely integrated, together. The privatisation bill is now going through parliament, and is due to be enacted next year.

The key player in the Scottish Bus Group privatisation is Quayle Munro, which was asked by the Scottish Office to advise it on how to sell off the company and counselled that it should be split up into 11 companies, whose sale could raise £60m. Charterhouse's advocacy, on behalf of SBG's management, of keeping the company in one piece and selling it to its management was rejected.

Quayle Munro is continuing to advise the Government, and other Scottish corporate finance operators are gearing up to advise teams of local managers and other potential purchasers on acquiring parts of the group, when it goes up for sale, probably next year.

BANKING

Expansion beckons south of the border

SCOTLAND's three indigenous clearing banks have embarked on broadly similar expansion programmes, geared to extending their markets south of the border and in continental Europe.

Meanwhile, the surprisingly healthy merchant banking sector has ambitious plans to compete with its counterparts in the City of London and elsewhere in England, bolstered by recognised strength locally.

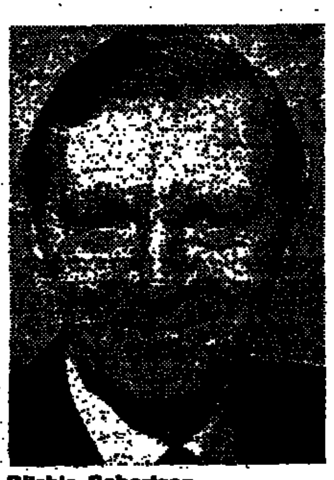
Among the banks, the smallest of the big three, Clydesdale Bank, of Glasgow, is receiving firm support from its parent, National Australia Bank, which bought Midland's 100 per cent shareholding in 1987.

"They had been watching us for a while, and saw us as a good regional bank that was starved of capital," says Ritchie Robertson, Clydesdale's general manager of retail banking. "NAB saw its acquisition as a platform for penetrating the important European market."

But Mr Robertson says the Scottish bank, which has only minimal presence south of the border, has other tasks first. "We have to consolidate our base here. We're aiming to be a quality regional bank, performing to the standards of our peer group in Scotland. Next, we want to be a niche player in the important London market, and ultimately in the rest of England."

Clydesdale is helped by Glasgow's resurgence of late as a thriving business centre. Property values rose sharply last year, and have yet to yield to the downturn in the south-east. Mr Robertson attributes some of the property market's buoyancy to the Government's sell-off of council houses. The bank has become a major player in West Scotland's mortgage market.

The two largest Scottish clearers, Royal Bank of Scotland and Bank of Scotland, are no less committed to expansion. RBS already has a major retail banking network throughout the UK, following its decision in 1985 to transform branches of English subsidiary Williams & Glyn's into RBS outlets. The bank is planning to add yet more branches south of the border, and has a "wish list" of 60 towns in England and Wales where it currently has no retail presence.



Ritchie Robertson

"The problem is finding the right locations," says Alwyn James, the bank's chief press officer. "We've even taken the unusual step of advertising for space in certain cities, because we have had trouble finding available property."

The bank hopes to add 10 branches a year over the medium term.

Internationally, RBS is arguably the farthest ahead of the Scottish clearers. Its purchase of Citizen's, a Rhode Island bank, was completed in 1988 but drew criticism from those who believed Scottish banks should be looking to Europe first. RBS's response came late last year, when it announced an alliance with Spanish bank Santander.

Among Spanish competitors, Santander is seen as particularly aggressive in the restructuring and expansion now under way in advance of the internal free market promised for the end of 1992. RBS and Santander executives are reviewing ways in which the banks can work together more closely: for example, their combined automated teller machine networks will be accessible to customers of either bank from April.

The Bank of Scotland has been very successful in expanding its customer base in England and Wales with only a skeleton network of 10 regional offices, and has no plans for local branches. Mr Bruce Pattullo, deputy governor, says that 45 per cent of its borrowers are in England and Wales (compared with 25 per cent a decade ago), against 40 per cent in Scotland, and 15 per cent overseas. It reckons it has 4.25 per cent of UK retail banking business and 6m retail customers.

It has achieved this partly through 29 joint ventures in marketing retail products – the biggest being with organisations such as the Automobile Association and the Halifax Building Society. Its Home and Office Banking System is used by many major businesses. Independent intermediaries feed the bank mortgage business to the extent that it now believes it has a larger mortage portfolio than the big four UK clearers. It also reckons it is the biggest funder of management buy-outs among the banks.

The bank's strengths include a flair for innovation and efficient organisation of its central processing operations in Scotland, both for mortages and its Visa card. "People think we are in the sluggish Scottish economy; in fact we're heavily in the buoyant south of England, but our cost base is in Scotland," says Mr Pattullo.

The much smaller – and newer – bank in Scotland is TSB Scotland, part of the TSB Group and now expanding its corporate lending activities north of the border. Its managing director, Eric Wilson, says the bank will be re-thinking its branch system, making sure that each outlet offers only the services clients that appear to want, rather than a full – and expensive-to-maintain – range.

Both RBS and Bank of Scotland own merchant banking operations as well: RBS has London-based Charterhouse, while Bank of Scotland has British Linen Bank. They operate in a very crowded field, centred in Edinburgh. There, merchant bankers such as Noble Grossart and Quayle Munro provide advice and financing to a range of local and – increasingly – English companies.

Angus Grossart

Unlike their counterparts in the City, Scottish merchant banking firms were slow to move toward the conglomerate style of investment banking favoured south of the border and in other international centres. Consequently they have been spared the painful restructuring that is now decimating employment ranks in London and New York.

Angus Grossart, the doyen of Scottish merchant bankers and the key executive of the company that bears his name, believes the radical changes in the City have given smaller, regional players an opening:

"There have been so many problems in the City. Asking some firms there for advice about expansion or strategy is like going to the dentist and finding he has a toothache."

Mr Grossart believes that firms such as his, which don't try to be all things to all people, can win business away from traditional market leaders. "Nobody asked the client what he wanted in the restructuring following Big Bang. It's like going to the hairdresser, and he says he wants to do – and insists on doing – your teeth as well."

Noble Grossart is already an established presence south of the border. Half of the firm's business last year came from England.

The firm is also a major player in Scotland, advising on several high-profile transactions and bids. It was one of Scottish & Newcastle's advisers in the brewing company's defence against a hostile takeover bid from Australia's Elder's. It is also advising the Scottish Office on the planned privatisation of the Scottish Electricity Board.

British Linen Bank, wholly owned by Bank of Scotland, operates in a similar way. Its 37-year-old chief executive Eric Sanderson, says his bank has an informal link with Banque Worms on the continent, and is interested in 1992-related opportunities. He sees Scotland as a natural place for European companies to invest: "It's much less expensive here for property and staff costs," he says.

Mathew Horsman

The Financial Services Act means problems for life-insurers

A testing time for networks

ANY CASUAL observer glancing at the sales figures for 1988 from the nine Scottish life insurers would see an industry in rude health, still reaping the benefits of the long boom in life assurance that the UK has witnessed since the mid-1980s.

Since, between them, they account for about 18 per cent of the UK's life market, the nine saw their new-business volumes rise dramatically again, *helped by the buoyant* house-purchase market south of the border and the first surge in sales of the new personal pensions.

As a result, new annual premiums for individual life and pensions contracts – the key indicator of the Scottish insurers' vitality – grew 37.5 per cent to £642m.

Behind the figures, though, lurk some tough questions. They centre neither on the sector's financial health nor its investment record, but on the strength of its distribution and marketing networks.

For the next 12 months are likely to show just how well the Scottish life offices, traditionally reliant on independent intermediaries as their sales channels, can survive the sweeping changes in the industry unleashed by the 1986 Financial Services Act.

The biggest question is whether or not the burden of complying with the Act is causing a drastic contraction in the numbers of independent intermediaries, or "independent financial advisers" (IFAs), because IFAs prefer the easier regulatory burden and the higher remuneration which come from being salespeople tied to one particular life insurer.

If this contraction *is* drastic – and the indications are that building societies, in particular, are "going tied" in droves – then the Scottish life companies could be big losers. News this month that one of them, Glasgow-based FS Assurance, planned to become a subsidiary of the Britannia Building Society, confirmed in some eyes the view that some may have to merge in order to survive.

"We have reached a crucial time for small to medium-sized life offices, when well-being seems dependent on the vagaries of legislative change, and the survival of the independent intermediary," said Mr Andrew Scobbie, FS general manager.

Andrew Scobbie: 'a crucial time for small life offices'

David Berridge: sees no sign of a rush to go tied

And last year similar points were made by a Strathclyde University academic, Professor Paul Draper, who argued in a *controversial paper that most* Scottish life offices had handicapped themselves severely by becoming over-dependent on an IFA sector which was in danger of vanishing.

Besides the FS/Britannia deal, three events this winter have brought the issues to a head. First, Norwich Union, the English mutual life office, broke ranks with its peer companies in Scotland by announcing that it was going to recruit former IFAs to act as agents exclusively for Norwich Union products.

The result, within days, was that the 14 mainly-Scottish life companies that made up the Campaign for Independent Financial Advice (Camifa) back-tracked on their previous commitment to *sell only via* the IFA sector, enabling Standard Life, Scottish Amicable and Scottish Widows to emulate Norwich Union and start recruiting tied agents.

Then, most dramatically, at the end of February, Standard Life disclosed that it had struck a tied-agency deal with the Halifax Building Society, the UK's largest single originator of mortgage-related endowment policies. As a result, from July, all Halifax's 900 branches, plus its 600 estate agency outlets, will sell Standard Life products exclusively. The *consensus view now is* that most major building societies will forsake IFA status and opt for such tied agency deals.

All this has to be put in perspective, though.

■ *First, data from the Financial* Intermediaries, Managers and Brokers Regulatory Association (Fimbra), *the IFA's* regulatory body, has found that its own membership has stabilised at about 9,000 firms, 2,200 of them sole traders.

That should be sufficient to maintain a flourishing IFA sector, says Mr David Berridge, chief executive of Scottish Equitable, when added to the thousands of solicitors and accountants, which will have to continue as IFAs under the rules of their own professional bodies.

Mr Berridge says that at Scottish Equitable, while it has as many as 10,000-15,000 intermediaries on its list of agents, most business actually comes from a hard core of about 2,000-4,000 of them. And among these, he says, there has been no sign of a rush to go tied.

The reality seems to be that the life assurance market is segmenting in terms of distribution. The market for endowment policies, closely linked to house-purchase, appears to be becoming almost entirely a tied agency-dominated sector, principally via the building societies.

In contrast, IFAs look likely to retain their big role in the distribution of pensions products and pure investment policies, such as single-premium life assurance bonds. This is one reason why Mr Berridge, for instance, sounds optimistic, because 90 per cent of Scottish Equitable's new business last year was in the pensions area.

How severely would the Scottish life offices be affected if the entire mortgage-related life market shifted to tied distribution? The impact could be less damaging than some observers think. Even Standard Life, the market-leader, only took in 1987 about 17.5 per *cent of its £702m of new* individual life business from mortgage-related endowments: for some of its smaller rivals, the figure was below 10 per cent.

■ *Second, it is quite feasible* for any of the nine Scottish life offices to form ties with one of the top 15 or 20 building societies. "I don't know if all of us would want to do it, but it could go that way," says the chief general manager of one Scottish life office.

It is common knowledge in the industry that Halifax's flows of endowment business were so large that only perhaps Standard Life, Norwich Union *or Scottish Widows could take* it all. But the fact is that, beside Halifax, Abbey National and Nationwide Anglia, most of the remaining top 20 societies are much smaller and would be easily manageable as tied agents by any of the nine Scottish life offices.

■ *Third, the IFA sector's* prospects look better now than they did six months ago – not least because the SIB is encouraging the early abolition of the life assurance industry's maximum commissions agreement (MCA), which effectively capped the commissions that IFAs could receive.

Nick Bunker

FUND MANAGERS

Fears of bloodshed in the square

DIVERSIFICATION is the urgent priority for Scottish fund management companies. There is still a substantial group of proudly independent managers north of the border. But they are facing ever-stiffer competition.

"The bigger independents may have to rationalise in order to save the Edinburgh fund management scene," warns Hamish Buchan, a long-time watcher of the investment-trust sector from the Queen Street offices of Wood Mackenzie, now part of County NatWest Woodmac. He adds a warning: "There may have to be some bloodletting."

Scottish management companies share strong common links, in that their origins have lain in the investment-trust sector. But this has been shrinking in recent years, and the fund managers in and around Charlotte Square and other Scottish focal points have had to go out and find growth markets elsewhere, in pension funds and unit trusts.

But it has to be said that the Scots were slow into these sectors. The main reason is that such areas require marketing and administrative skills that were not necessary in the cosy old days of traditional investment trusts.

First, however, it is right to accentuate the positive. Scotland has some clear advantages as a fund management centre.

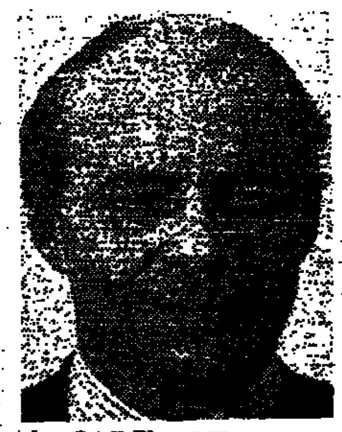
"Managing a business is much easier up here than in London," says Alex Hammond-Chambers, chairman of Ivory & Sime. He reckons that, with office rents at £12 a square foot and salaries 75-80 per cent of London levels, his company's basic costs are only half those of a City-located manager like, say, GT.

There are estimated to be some 500 professional investment managers in centres like Edinburgh, Glasgow and Dundee, with a solid underpinning from the big life companies. The latter not only manage many billions themselves, but also provide a stream of trained recruits for the independent firms.

Scotland therefore enjoys the "critical mass" in fund management, which allows companies to recruit a broad range of skills and to offer a proper career structure to ambitious youngsters. Many individual managers are tempted south, but quite a few are attracted in the opposite direction by Scotland's more amenable lifestyle. For instance, Nicolas McAndrew was recently recruited from N.M.Rothschild, in London, to become managing director of Murray Johnstone in Glasgow.

Large-scale staff turnover is, however, definitely not part of the Scottish culture. "The difference between London and Edinburgh is one of continuity," says Joe Scott Plummer, himself a former London manager (for Cazenove) who made the move north a few years ago.

Scottish management companies have made a strong, if belated, pitch for the company pension fund business which, in the 1970s, was mopped up by London-based merchant banks. Ivory & Sime was first in the field, but now Baillie Gifford, for instance, says that pension funds represent more than 50 per cent of its £2.5bn under management; and Murray Johnstone also manages well over £1bn for pension-fund clients. Another in the field is Dunedin.



Joe Scott Plummer

They have collectively marketed an equity-oriented, boutique-style management which was very successful in the bull-market conditions of the mid-1980s. But this style left them vulnerable in the aftermath of the crash. Martin Currie, for instance, had spectacularly won a contract to manage a slice of the British Rail pension fund from January 1987, but was abruptly sacked, and its near-£300m removed, in July 1988.

Mr Scott Plummer says, however, that enough new business has been gained elsewhere to replace the fees on the low-margin BR contract, if not the size of funds. He adds that although the "fair hammering" they suffered in late 1987 was a test for the Scottish managers, most had stuck to their last and had seen a fairly strong recovery in performance in 1988.

"We had to put on board a good 1988, to prove that 1987 was an aberration," he observes. "One is pleased to say we have achieved that. We can look forward to winning new business."

In investment trusts, however, the pressure is still on. Edinburgh Fund Managers has lost the management contracts for two Japanese investment trusts, and after several years as an independent listed company has retreated to the sanctuary of majority control by a subsidiary of the British Coal pension funds.

Unit trusts were thought of as a valuable diversification up to the 1987 crash, but the independent Scottish groups had a bad year in 1988, when the need for greater marketing muscle became increasingly apparent.

Interestingly, expansion in this sector is starting to come from outside, with the arrival of the US-owned Templeton group last year, attracted by Scotland's lower costs.

"There is a lot of marketing strain in going into unit trusts," says Colin McLean, managing director of Templeton, explaining why the Scottish life offices, as well as the independent fund management companies, were so slow to get into this £45bn business.

But even Ivory & Sime, which for years set itself against going into unit trusts, has now entered the field – if *only tangentially through the* establishment of a Luxembourg umbrella fund. Last year Ivory hired the London-based former County Bank unit trust marketing team headed by Richard Carswell, emphasising its change of approach. Ironically, however, these new marketing resources are being turned in an unexpected direction – towards investment trusts.

With unit trusts proving so difficult, Scottish fund managers are attempting to cultivate a new demand for investment trusts. So they have introduced monthly savings plans (Martin Currie claims to have attracted 5,500 new shareholders for its stable of four investment trusts by this means). Recently, too, Ivory & Sime and Martin Currie have embarked jointly on a series of marketing roadshows, together with the London-based Robert Fleming.

The aim is to market investment trusts through independent financial advisers (other than the traditional stockbrokers) in order to make a pitch for savings on a more equal basis.

"*We have got to get back* into the individual savings market," says Alex Hammond-Chambers, though he admits it will take five years to make reasonable progress towards de-institutionalising the ownership of investment trusts.

All the *same, he argues, the* progress made so far towards diversification means that "there is a much better-based fund management business in Scotland than there was 10 years ago".

Barry Riley

Stockbrokers say the climate is better than one might suppose

Small investors are still crucial

SCOTLAND's stockbrokers are heavily reliant on the small private client, despite the large number of institutional investors headquartered in Edinburgh and, to a lesser extent, Glasgow.

The very biggest Scottish pension and unit trust funds look to the City to have trades handled. A few Edinburgh-based financial services companies get a measure of institutional business: the major banks are active, for example, as are specialists such as Citi*bank in Edinburgh. Its busi*ness is wholly institutional, and geared to international investment. Citibank vice-president David Fortune says he handles about US$1bn of institutional funds, or roughly 1 per cent of the $100bn invested outside the UK by Scottish-based institutions.

At first blush, dependence on the small investor might bode ill for the traditional agency brokers. Private clients were put off by the October 1987 crash, and trading volumes have yet to make a recovery. Without the cushion *of a large number of institu*tional clients – themselves more reticent under current market conditions – the regional brokers of Scotland ought to be on the ropes.

But most argue here that the climate is rather better than one would suppose. Bell Lawrie, a leading Edinburgh-based stockbroker, has added £120m to its books in the past nine months, with much of the new business coming through referral from existing clients.

Allied Provincial, the regional broker formed from nine independents and with headquarters in Glasgow, reports similar success in attracting new clients. Its chairman, Bernard Solomons, points to the firm's investment in new services and technology as an indication of confidence.

Brokers are cautious about the prospects of a single Europe

"Yes, *volumes are down,*" he says. "But we don't make markets, and don't take positions. In the crash, regional agency brokers didn't suffer to anything like the same extent [as integrated City firms]."

Both Allied and Bell Lawrie say they have seen business in Scotland and in the south-east increase as a result of the massive retreat from private-client business among large City firms. That has brought back to Edinburgh and Glasgow some Scottish investors who had preferred to do business in the City. As well, English investors are using the London offices of Allied, Bell Lawrie, Robert White, and other Scottish firms.

Mr Solomons says: "We are still a little light in the south-east. We want to strengthen our operations there. We've won business in London and the south-east, but not as *much as I'd like to.*"

Several Scottish brokers are also active on the corporate finance side. Allied, in particular, offers a major distribution network for newly-issued shares via the firm's regional offices. Mr Solomons says there are signs of resurgence *in Scotland, but worries that* businesses prefer to remain private or to be bought out, rather than to seek a market listing. Still, he says, "there's a lot going on behind the scenes, and there's certainly a market for private placements."

Both Allied and Bell Lawrie are fiercely independent. Bell Lawrie's managing director, Derek McIntosh, says: "We intend to remain independent. As it turns out, it worked to our favour." He says that the firm did not expand furiously *following Big Bang, and is* reaping the benefits now of a more prudent strategy.

"Scotland in general took a sceptical view of the developments that took place just before and during Big Bang," Mr Solomons says. "In the rush to build integrated conglomerates, firms *underestimated the* problems of bringing together the constituent parts, particularly in view of the variety in corporate cultures. Scotland tended to step away from the crowd, not being misled by the fashions of the day."

That independence is seen as *extremely important for corpo*rate finance activities. UK companies have shown themselves to be worried about conflicts of loyalty when choosing a bank or a broker. Scottish financial services firms hope to attract more business from those looking for an independent *adviser.*

In more general terms, all Scottish brokers are eyeing markets south of the border. Although the UK Government's privatisation programme has created as much stock-market interest in Scotland as elsewhere, there is a limit to growth prospects in a country of 5m people.

But Scottish brokers intend to continue to dominate the local private client business. "The private client is becoming more sophisticated," says Mr Solomons, who is convinced that the Scottish investor is prepared to stay in the market for the long term. "The cult of *equity may have been shat*tered by the crash, but the private client appears increasingly convinced that long-term equity investment is still the best way to go."

Continental Europe beckons, too, although Scottish brokers are not convinced that the *prospects of the single Euro*pean market in 1992 are altogether positive.

"Nothing pleases me more than to have a European view develop here," Mr Solomons says. "But we have to keep our feet on the ground. There is more than enough to keep me *going to be a premier UK bro*ker."

Bell Lawrie's Mr McIntosh echoes this view. "It's difficult to see what benefit we would get expanding into Europe. Are we expected to be able to sell

Continued on next page

James Buxton considers the place of Scotland's legal system in an integrated Europe

Some laws may be ready for harmonisation

SCOTLAND's separate legal system is one of the country's proudest and most distinctive possessions. Its status is enshrined in the Act of Union of 1707.

Criminal proceedings are handled quite differently from in England and Wales. Property and family law are different, too, as are many aspects of commercial law.

As a result, Scotland has a completely separate legal profession, with its own Scottish bar and a large body of solicitors (officially known as Writers to the Signet, or WS.) who, in most fields, cannot offer their services to clients in England and Wales. But the question is being asked: in an increasingly integrated Europe, is this distinctiveness always an advantage?

The point was raised last autumn by Lord McCluskey, a leading Scottish judge, in a speech at Aviemore. He said that Scots businessmen and lawyers were handicapped because they had to choose whether to apply Scottish or English commercial law to a contract. If they applied Scots law, "our EC partners will be ignorant or suspicious of it," he said. If they chose English law, it meant going to London for best advice.

He asked whether it was not time to try to harmonise aspects of Scots commercial law with those of England – and he mentioned companies, insurance, sale of goods, product liability, consumer credit, insolvency, bankruptcy, construction contracts and the basic law of contract.

The point was echoed in an interview given by Lord Fraser, the recently-appointed Lord Advocate, who said: "I think we have to be very alive to ensuring that we have a system of civil law that is attractive to people who wish to do business in Scotland. If not, they will simply conclude their business in London.

"I would be interested to know, for example, if you were to take the 100 largest contracts concluded in Scotland in 1988, how many of them have provisions to exclude the jurisdiction of the Scottish courts. I suspect it might be an uncomfortably large percentage." Harmonisation, both with England and Wales and the rest of Europe, had to be considered.

These warnings have so far produced only a muted public response from Scots lawyers. Prof Ross Harper, president of the Law Society of Scotland, sees the question of harmonisation in an EC context.

"Europe is going to have to harmonise, and we are quite at home in dealing with continental lawyers," he says. He also warned that much of Scots law was sacrosanct – "no politician would conceive of breaking down the barriers surrounding it" – but he thought there could be changes in such fields as the law of contract.

Mr David Semple, a partner in the Glasgow-based firm Bird Semple Fyfe Ireland, says that the increasing insistence of many companies operating in Scotland on having a single contract drawn up in English law amounted to "creeping harmonisation. If that's what the market out there wants, we'd better make sure it's done well."

He sees a partial answer to the Scots lawyers' dilemma in multinational operations, starting with England. "If we don't recognise the fact that many more contracts are being written under English law, we will lose business to the south," he says. Bird Semple, which has 30 partners, intends to establish a London office, and is recruiting

Lord Fraser: a suitable system

English lawyers.

"Just because we are Scottish doesn't mean that we can't look after English business as well," says Mr Semple. And he points out that, although Scots commercial law is different from English, corporate and tax law are virtually identical, being based on UK statutes. Thus there is nothing to stop a Scots firm acting for a Scottish client in a corporate transaction in England, nor to prevent an English company getting its legal business done by a Scots firm, whether it concerns Scotland or not.

"Because our overheads are low, English companies doing business either here or in the south tend to get more senior personnel handling the files than if they had gone to an English firm," he says. "What depresses me is seeing good-quality Scottish work going to English lawyers."

Bird Semple is also eager to extend to the continent, to build on existing contacts with firms in Brussels and Paris in order to form a multi-national partnership.

A small number of Scottish legal firms already have London operations, notably McGrigor Donald, and Macroberts. But probably the most striking example is Dickson Minto, which was formed only in 1985 by partners breaking away from the big Edinburgh lawyers Dundas & Wilson, and set up its London office the following year.

Unlike the major Scottish law firms, such as Dundas & Wilson and Shepherd & Wedderburn, which offer the complete range of services from private client work to corporate services, Dickson Minto concentrates on corporate law. It has a number of staff who are qualified in both English and Scottish law.

The firm has seven partners (shortly to be increased to nine), and its London operation is about the same size as its Edinburgh one – "though we still have to fly people up and down between the two," says Mr Bruce Minto, one of the founding partners. In London, it likes to be seen not as a branch of a provincial law firm or of a specifically Scottish one (except when dealing with Scottish companies) but like any other London corporate law specialist.

As examples of deals that have virtually nothing to do with Scotland, Dickson Minto advised the management team which bought out the food group Premier Brands, and another which acquired Leyland Bus (and later sold it to Volvo). It was the Premier Brands deal that required the setting up of a London office: once established, it became a generator of business in itself.

Mr Minto believes there is considerable scope for association with continental firms, though he adds: "It is very difficult to operate under different jurisdictions. Most English firms' offices abroad are staffed by locals and are used to feed back business to London."

Lord McCluskey, in his speech at Aviemore, criticised Scottish lawyers for being tardy in recognising the significance of the EC and its central area, which he defined as bounded by London, Frankfurt, Milan and Paris. While about 30 English barristers were operating in Brussels, along with many solicitors, Scots had made hardly any inroads there.

Last month the Government, in its proposals for changes in the legal system in Scotland, suggested allowing Scottish solicitors to establish multi-national partnerships with lawyers in other countries. Mr Semple welcomes the idea as likely to accord with what multinational clients want, but notes that it will lead to a further erosion of separate Scottish law.

The Government also moots the idea of solicitors giving up their monopoly of conveyancing.

Scottish accountants are feeling the effects of centralising forces, but . . .

The rank-and-file appears to oppose a merger

THE SCOTTISH accountancy profession is riven with disagreement.

Accountants go about their business as usual, and that business is expanding – though not as fast as in the past few years or in the UK as a whole. But on the minds of many is the looming issue of the proposed merger of the Institute of Chartered Accountants of Scotland with the Institute of Chartered Accountants in England and Wales. The issue is due to be settled in less than three months' time.

As elsewhere in Britain, the profession is dominated by the major firms, beneath which exists a plethora of smaller concerns. The biggest in Scotland, as measured by fee income in a table compiled by the magazine Scottish Business Insider, is Peat Marwick McClintock. The merger in 1987 of Peat Marwick and KMG Thomson McClintock produced a combination whose fee income in Scotland exceeded that of Arthur Young, which had previously held the leading position.

Fee income of the leading 15 firms grew more slowly in 1987-88

While Peat Marwick McLintock had fee income in 1987-88 of £16.7m and has 51 partners, Arthur Young comes shortly behind with £15.9 in fee income and 46 partners. Between them they audit nearly half of the top 100 companies in Scotland, PMM handling 27 and Arthur Young 16.

Substantially farther down the line-up of the top eight in Scotland comes Ernst & Whinney (26 partners, fee income £9.8m), followed closely by Deloitte Haskins & Sells and Coopers & Lybrand, both with fee income of over £9m. In a cluster lower down the list are Arthur Andersen, Price Waterhouse and Touche Ross, with fee income in the £4m range.

The Scottish Business Insider list reveals that fee income by the leading 15 firms in Scotland grew more slowly in 1987-88 than in the previous year: by 16.8 per cent, compared with 28.4 per cent. This was due to several factors, including the sudden decline in business in Aberdeen after the collapse of the oil price, but a major one appears to be rationalisation of operations by the major firms.

With staff costs continuing to rise sharply – by about 15 per cent last year – the big firms have responded by looking closely at how they deploy their resources. They have tended to try to cut down the amount of routine auditing work they do for a company, expecting the finance director to have it done in-house. Instead, they concentrate on providing higher quality advice on the company's figures.

Thus they may be devoting fewer hours to a client, but the hours are better-quality, more expensive hours. Often the pressure for change may come from finance directors themselves, worried about rising audit fees. The major firms are trying to concentrate on a higher quality of client who, they hope, will produce higher added value work over the years to come. Less promising companies may be directed towards other accountancy firms.

Frank Kidd: independence would reduce influence

The fact that the Scottish economy is not as buoyant as that in some other parts of Britain (the growth of accountancy fees UK-wide in 1987-88 was between 20 and 29 per cent) is a further reason for firms to be selective in their search for growth. The number of partners and staff declined somewhat between 1986-87 and 1987-88, as firms shed personnel in order to become more efficient. There was therefore an increase in "productivity".

Like the Scottish legal system, the accountancy profession in Scotland is feeling the effects of the centralising forces in the UK and Europe. This can be seen in the agonised debate now raging over proposed merger the two institutes north and south of the border into a single Institute of Chartered Accountants of Great Britain.

For the Institute of Chartered Accountants of Scotland (ICAS), whose council favours the merger and is trying to persuade its members to accept the idea, a merger is essential to preserve the influence and standing of Scottish accountants. The Scottish profession's distinctiveness is already at risk, as a result of the 1986 Financial Services Act, under which accountancy firms had to be authorised by either the English or the Scottish institute.

The council favours a merger and is trying to persuade members

This led to the anomaly of the major firms that operate in Scotland being authorised by the English institute because they were headquartered in England. In all, some 7,000 firms are authorised by the English body and only 500 by the Scottish one, with the largest firm authorised by the ICAS having only 18 partners.

A further threat is in store with the forthcoming Companies Act, which is expected to require accountancy firms, rather than partners, to be authorised to carry out audits. This would mean the English institute having the power to discipline firms operating in Scotland.

Mr Frank Kidd, president of the ICAS, says he believes the Scottish institute will lose influence and prestige if it remains independent. It would attract fewer students, which would reduce its revenue; and a vicious circle of higher costs and falling services would ensue. The Government, he believes, would prefer to deal with a single body rather than two, and the same argument can be used for dealing with the European Community.

The ICAS has negotiated what it believes is a good deal with the English body: Scotland would have 15 of the 65 elected seats on the council of the new institute, despite having only 12,000 members, compared with English body's 87,000 (23 per cent of the seats, compared with 12 per cent of the members). The merged education process for the British Institute would be directed from Edinburgh. A Scottish college would be set up to provide services to British institute members in Scotland.

But the merger, which requires a two-thirds majority of those Scottish members voting to be approved, does not seem popular among the rank and file of Scottish accountants. An opinion poll conducted late last year showed that 43 per cent opposed a merger, while only 24 per cent favoured it.

A group of nine "dissident" members, which commissioned the survey, believes that the merger proposal is a defeatist one. The group argues that the authorisation issue could be resolved by setting up a joint authorisation and regulatory unit between the two bodies either side of the border, and believes that it is better that the Government be presented with a diversity of views rather a monolithic approach.

Many Scots feel their profession has better education standards

At the root of the opposition is a feeling among many Scots accountants that their profession, which has deeper historical roots, is superior, especially in its education standards, to that south of the border. Allied to this is regret that another Scottish body may be about to yield to what are seen as centralist, anglicising pressures and disappear, further eroding Scotland's identity.

James Buxton

Stockbrokers

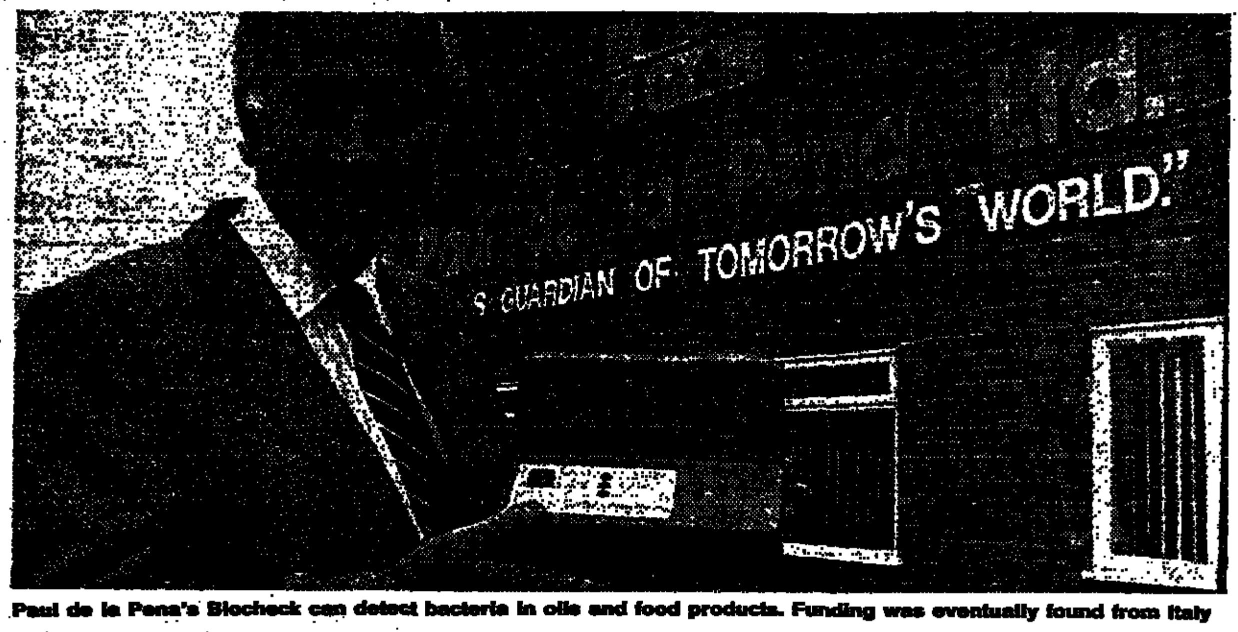
Continued from page 3

unit trusts to the Germans? Our priority has to be the UK."

He and others believe the advantages of the internal free market may work in reverse, however. "We need to attract more business to Scotland," Mr McIntosh says. "We are obviously a credible location for a European preparing to set up in the UK."

Scottish brokers see increased business as one spin-off benefit of net new investment in Scotland. But, in the wake of Australian conglomerate Elder's bid for brewer Scottish & Newcastle, the prospect of yet more takeovers by English companies of Scottish-owned businesses doesn't meet with the same approval.

Mathew Horsman



Paul de la Pena's Biocheck can detect bacteria in oils and food products. Funding was eventually found from Italy

Oiling the wheels for a bacteria-free harvest

It has always been hard work raising venture capital but it is becoming more difficult for technology-based companies, says Charles Batchelor

Paul de la Pena, a Midlands-based blender of industrial lubricants, spent more than £1m of its own money developing a sensor to measure the growth of bacteria in machine oils. The company's sensor indicates the degree to which the quality of the oil has deteriorated within minutes instead of the 24 to 48 hours normally required.

When the company had brought its Biocheck device to the prototype stage it decided to seek outside financial backing. With turnover of £2.5m and a workforce of 50 people it was reaching the limits of its financial resources. It was at this point that the company's chairman, Paul de la Pena, realised the difficulty of raising funds for technology-based ventures.

He turned to venture capitalists specialising in bio-technology investments and to large corporations with an interest in this field. "There was enormous interest to start with and people were charming," he recalls.

But neither the funds nor the companies were able to back him. Some said he did not have the right management team while others did not like the state of his balance sheet, which had been depleted by his development spending.

Convinced that the sensor had a broad range of applications in the food and health sectors as well as in industry, de la Pena finally took up an offer of funding from Iritech, an Italian state-owned financing agency. Iritech has provided £1.7m and taken a 49 per cent stake in the venture, which plans to start production in Italy within the next 12 months.

Negotiating with Italians was "like a breath of fresh air," says de la Pena. He believes that the British venture funds did not understand the technology and that they were not interested in backing a project which had already reached an advanced stage of development. "The companies he approached gave the impression of waiting "like vultures" for the venture to fail so they could take it over.

Despite the enormous growth in the amount of venture capital which is available in Britain, inventors and innovative small businesses still complain of a shortage of finance tailored to their needs.

Lord Young, Trade and Industry Secretary, last month urged the country's providers of finance to do more for these businesses. "Small high-tech firms which are successful are likely to grow rapidly," he said. "I should like to see venture capitalists and banks channel more of their funds into supporting them."

The overall amount of venture capital available has increased but the percentage dedicated to technology has fallen. Just 9 per cent of venture capital funds went to technology-related businesses last year compared with 16 per cent in 1987.

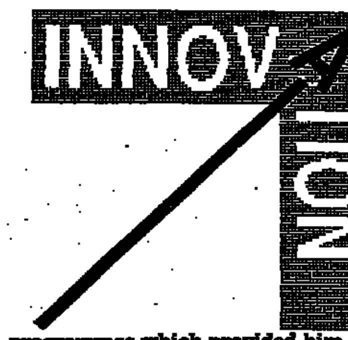
"The problem is that venture capitalists have become more risk averse over the past five years," says Antony Costley-White, of Oxford Seedcorn Capital, which is currently raising a £2m fund to back embryonic ventures. "They think more like bankers."

One reason for the caution shown by venture capitalists is the bad experience many had backing technology-related businesses in the early 1980s. In addition, management buy-outs and other later stage investments offer a safer and more profitable investment opportunity.

The Business Expansion Scheme has largely dried up as a source of finance for non-property companies since it was extended last year to take in property rental companies while the banks are, for the most part, unsuited or unable to provide the sort of finance required to fund long-term technology ventures.

The Government recently announced an extension to the life of its Small Firms Merit Awards for Research and Technology (Smart) programme which aims to provide £29m over the next three years for some 700 companies. The amounts involved are small but many businesspeople are wary of civil servants becoming involved in selecting technology projects for approval.

Government programmes have been criticised for being slow and bureaucratic but some innovative ideas would have been still-born without them. Peter Wilde has funded the development of a new process for extracting the essence from rose petals with the help of four government



programmes which provided him with a total of £62,500. Despite previous successes with inventions which were bought by large manufacturers, Wilde failed to raise private sector finance for his Thirsk, North Yorkshire-company, Floral Fragrances.

Even when technology businesses are successful in raising finance it is hard work. "It is a long-winded, painful business," says Ray Johnson, chairman of Verran Electronics, a Camberley, Surrey-based company, which earlier this year raised £2m from 3i and Barclays Bank to develop a range of products to improve communications between computers.

"From writing our first business plan to getting the first instalment of money was eight months and that was 100 per cent total graft," he adds. Verran assigned one director to work full time on fund raising while a second was called in when necessary.

Brian Davies, managing director of Pelydryn, a Swansea-based company which has designed an electronic pacing system for athletes, put together a veritable mosaic of funding to get the Electropacer to the point of launch.

Davies funded his venture from his own resources, from the Enterprise Allowance Scheme (which gave him £40 a week for a year) and with loans from BSC (Industry), from Swansea City Council, the Welsh Office and a £75,000 bank loan backed by the Government's Loan Guarantee Scheme. The Welsh Development Agency came in with equity finance.

"It has been nail-biting all the way," says Davies. "There is no co-ordination. No-one will take a decision until you crack it and then the dominoes fall."

A further complaint from entrepreneurs is that the venture capitalists are unduly greedy in the terms they negotiate. John Ford, managing director of Voltech Instruments which makes instruments for measuring and controlling electric currents, says he was offered £30,000 in return for a 45 per cent stake in his business. Voltech already had two products ready so it rejected this offer as "derisory."

But if the innovative businessman has problems with the providers of finance they in turn do not always find the innovator an easy person to deal with. "The complaints tend to come from people who have been turned down for reasons which they don't like hearing," says Jim Boyd, of 3i's Guildford office, which backed Verran Electronics. "Not many do get finance but then not many deserve to," notes Richard Poulden of *JMI Seed Capital*.

A frequent problem is that the inventor is so closely involved with his product that he believes that business success will follow automatically. "They are totally in love with the product or the technology," says John Clarke, managing director of City Venture Brokers, which helps entrepreneurs find sources of finance.

Even if the innovator is aware of the broader issues involved and appreciates, for example, the need to market his product, he may – in the view of the financier – lack the management expertise to carry it off.

An inventor may have a first class idea or product but this will not, on its own, justify establishing a company to exploit it. "The question is: can you build a business out of it?" says Richard Poulden. "The key thing is what do they do next?"

Too many innovators set about fund raising without any clear plan for what they want to set up. "We see plans which really amount to 'wish lists'," says John Clarke. "They have to put over the facts and show that the market research has been done."

Finally, even if the innovator passes all these hurdles he may simply run up against the problem that his idea does not fit in with the venture capitalist's portfolio.

Relief may be on the way, though. The British Venture Capital Association, representing most UK venture funds, will later this month consider proposals to increase the flow of finance to early-stage ventures. It hopes to establish a number of new seed capital funds with between £5m-£10m of finance each to specialise in particular industry areas such as bio-sciences and medical products.

It also wants the large City institutions to allow the venture capital funds in which they invest to allocate part of their funding to seed capital investments. "It is too much to ask the big institutions to allocate amounts of £50,000 to seed investments but the venture capital funds could do this for them," says Michael Denny, chairman of the association's seed capital committee.

Another potential source of funds is private investors. Inventalink, an "invention sales company" which finds outlets for good ideas, has set up an investors' club of wealthy individuals with an industrial or entrepreneurial background. They will meet monthly to consider whether to back innovative ideas put before them.

Any increase in the finance available to innovative start-ups is welcome given the high failure rate of technology ventures. "If you don't support a lot of new ventures you won't get the few which survive," says Oxford Seedcorn's Antony Costley-White.

Do you work in a cosy company?

Charles Batchelor argues that small firms need specific personnel policies

Imagine working for a small firm. You are doing an interesting job in a relaxed, friendly environment and are on first name terms with your boss. Then think again. You could be working hard in sweat-shop conditions for very low wages.

Jobs in a small business have been portrayed in both these opposing stereotypes though neither is completely accurate, a new study* concludes. Sweat-shops do exist but on the whole employee-employer relations in the small firm are nearer the harmonious stereotype, according to a review of research on the subject carried out by James Curran of Kingston Business School. Conflicts do occur but are usually resolved by the dissatisfied employee leaving.

Despite generally friendly relations in small firms, recent research on job satisfaction reveals, somewhat surprisingly, that levels are not higher than in large firms. Overall levels of satisfaction are about the same right across the size spectrum with the pluses and minuses in small and large firms cancelling each other out to produce similar levels overall.

Interestingly, in the smaller firm both employer and employees exaggerated the tolerance and understanding of the other on industrial relations issues while in large organisations the reverse occurred.

A worrying conclusion of the review is that, at a time when labour and skill shortages threaten, small firms have a very poor training record. Training is expensive and many small firms have in the past hired people trained by other, mainly larger firms.

The training cutbacks of the 1980s have made it more difficult for small employers to solve their training problem this way. When the flow of young workers onto the job market declines in the 1990s, small firms, which have a stronger preferment for younger workers, will be hit harder than large firms, Curran warns.

The study concludes with a plea for more attention for the personnel problems of small business. Personnel issues in the smaller business have been largely ignored by industrial relations specialists. The growing importance of small businesses as employers means more attention should be paid to this issue, Curran says. The small enterprise sector employs about one third of the labour force and may now even provide more jobs than either the state or large private enterprise sectors.

Small firms need personnel practices developed specifically for their needs rather than the hand-me-down practices of larger firms, the review suggests. This would help them adapt as they grow into larger firms and could smooth relations between small and large businesses.

**Employment and Employment Relations in the Small Firm, Occasional Paper No 6, Research and Publications Unit, Kingston Business School, Kingston upon Thames, Surrey, KT2 7LB. Tel 01-549 1141. Price £5.*

In brief...

■ Inventors are invited to enter for the Toshiba Year of Invention Awards. The competition, won last year by Roger Drury, a Yorkshire farmer, who has developed a grain separating machine, is a Design Council initiative sponsored by Toshiba. Prizes worth a total of more than £100,000 are on offer in four categories: small business, individual, school and university/college.

Application forms from libraries, job centres and innovation centres or from Toshiba, Freepost, Melksham, Wiltshire SN12 2BR. Entries close on April 14.

■ The implications of the single European market for the venture capital industry and for entrepreneurs is the subject of the Venture Symposium '89 to be held in Berlin from May 31 to June 2.

Contact International Tour Consulting, Weinmeisterhornweg 137d, D 1000 Berlin 20. Fax 030 882 51 82. Fee DM 1,200 for European Venture Capital Association members, DM 1,500 for non-members.

BUSINESSES FOR SALE

FT LAW REPORTS

Digest of Hilary Term cases

FROM FEBRUARY 28 TO MARCH 15

AMALGAMATED METAL TRADING LTD AND OTHERS v DEPARTMENT OF TRADE AND INDUSTRY AND OTHERS
(FT, February 28)

Applications were made by the Department of Trade and Industry to strike out claims in tort by the brokers and claims in contract and tort by the banks on the ground that they disclosed no reasonable cause of action and were non-justiciable. Applications were also made by the member states of the International Tin Council (ITC) on the ground of immunity from proceedings. All the claims arose out of the collapse of the international tin market when the ITC ceased trading in 1985 and was unable to discharge its liabilities. Mr Justice Evans held that if the member states had authorised the implied representations regarding payment of the contracts, but that such representations were made fraudulently, that is with knowing or reckless misconduct, then the claim was not bad in law. As to non-justiciability, the allegations did not require the courts from venturing into an area forbidden to them, and the immunity claim was defeated because the trading contracts had been authorised by the member states (section 3(1)(a) of the State Immunity Act 1978). However, under the Statute of Frauds Amendment Act 1828 no action could be brought on a representation as to credit unless in writing and signed by the defendant.

BRAY (INSPECTOR OF TAXES) v BEST
(FT, March 1)

When the employer became a subsidiary of another company, it wound up and distributed a trust fund established for the employees' benefit. Mr Best was assessed to tax in respect of his allocation. The special commissioner concluded that although the money was an "emolument" of Mr Best's employment, otherwise taxable under Schedule E, it could not be attributed to a year of assessment as his employment had ceased when his entitlement arose. Dismissing the Crown's appeal against a Court of Appeal decision upholding the commissioner's conclusion, the House of Lords stated that for an emolument to be chargeable under Schedule E, not only must it be an emolument "from" employment, but it must be an emolument "for" the year of assessment.

SMITH v STAGES AND ANOTHER
(FT, March 3)

Mr Stages and Mr Machin were sent by the employers from Burton-on-Trent to Pembroke in their capacity as laggers at power stations. On their return journey, they met with a motor accident due to the negligence of the driver, Mr Stages. Mr Machin's widow continued his action for personal injuries against the employers on the grounds that they were vicariously liable for their employee's negligence. In upholding the claim, the House of Lords stated that it was not an ordinary case of travelling to work. The employee, who had to work at a place some distance away from his usual place of work, had to move from his ordinary base to a temporary base from which he would travel to work each day. Mr Stages was required by the employers to make the journey, and it would be proper to describe him as having been employed to do so.

BRADLEY v EAGLE STAR INSURANCE CO LTD
(FT, March 7)

Mrs Bradley, who was discovered to be suffering from a respiratory disease caused from inhaling cotton dust, sought to sue her employers' insurers under section 1(1) of the Third Parties (Rights against Insurers) Act 1930. The employers were wound up in 1975 and dissolved in 1976. Her application for pre-trial discovery in 1986 was refused in the High Court and her appeal dismissed in the Court of Appeal. Dismissing her appeal to the House of Lords, Lord Brandon stated that the Court of Appeal had rightly decided against her that under section 1(1) she only had transferred to her such rights against the insurers as the employers would have had. The employers would only have been entitled to indemnity if the existence and amount of liability to Mrs Bradley had first been established by a court, by arbitration or by agreement. The existence and amount had not been established while the employers existed and there was no longer any means by which such liability could be established.

ESSEX COUNTY COUNCIL v ELLAM (INSPECTOR OF TAXES)
(FT, March 8)

A father of a handicapped son covenanted with the county council that it should pay his son's fees at a special school and that he would make payments to the council, net of tax. Inasmuch as those arrangements fell short, he undertook to the council to discharge the liability by cheque. The Inland Revenue refused to refund to the council the tax deducted by the father. Dismissing the council's appeal against a decision of Hoffmann J that it was not entitled to the refund, the Court of Appeal stated that in the present case it was impossible in the circumstances and in view of the covering letter, to regard the payments by the father as pure income, without regard to the council's obligation to pay his son's fees to Mencap. One went to cancel out the other, and there was nothing left to support the council's claim for repayment, or to justify deduction of tax by Mr Skidmore under Case III Schedule D.

COMMISSIONERS OF CUSTOMS AND EXCISE v DINERS CLUB AND ANOTHER
(FT, March 10)

Dismissing an appeal by the credit card companies against a decision of Kennedy J that in operating their charge card and credit card businesses they made exempt supplies to retailers for VAT purposes, the Court of Appeal stated that the supply on which the commissioners relied was the making of the payment to the retailer pursuant to the companies' contractual obligations. That was a service supplied for a consideration as it could be ascertained from the entire transaction that the discount was consideration for the benefits which the scheme conferred on the retailer, including the service of receiving the payment assured by the company. Therefore the transactions fell within section 17, which dealt with exempt supplies specified in Schedule 6 Group 5 Item 1 as "the . . . transfer . . . or any dealing with money."

NEUVALE LTD AND ANOTHER v COMMISSIONERS OF CUSTOMS AND EXCISE
(FT, March 14)

The taxpayer companies sought unsuccessfully to recover input tax paid in respect of business activities conducted in preparation for the future provision of non-taxable supplies. Rejecting their appeal, the Court of Appeal stated that neither the structure of the Act, nor the provisions . . . nor the practical consequences, led one to suppose that it could have been intended that section 15(1)(a) should operate to entitle a taxpayer who conducted an activity in which he neither made nor intended to make taxable supplies, be given credit for input tax incurred in the conduct of that activity: *Apple and Pear Development Council v Customs and Excise Commissioners [1986] STC 192.*

J. ROTHSCHILD HOLDINGS plc v INLAND REVENUE COMMISSIONERS
(FT, March 15)

In dismissing an appeal by the taxpayer that it was liable to the Inland Revenue for stamp duty on an increase in its capital assets under paragraph 10 of Schedule 19 to the Finance Act 1973, the Court of Appeal stated that the question solely concerned the allotment of shares and whether it could, for stamp duty purposes, form part of a wider entire transaction which included other chargeable transactions and allotments. Under Paragraph 10 an exempt transaction was one where the company acquired not less than 75 per cent of the issued share capital of another capital company. In the instant case the first acquisition comprised 68.49 per cent of shares in one of two companies in a merger scheme and three weeks later acceptances were received in respect of 80.43 per cent of that company's shares so that the directors made further allotments. The Crown correctly submitted that the exemption applied to the transaction bringing the acquiring company's holding in the acquired company to 75 per cent or more and to any transaction increasing it beyond that, but not to any preceding transaction.

Aviva Golden

UNIQUE OPPORTUNITY
MAJOR 2 DAY AUCTION OF
MACHINE TOOLS & GEAR CUTTING MACHINERY
following Closure of R W Transmissions Ltd, Newcastle on
25th & 26th April 1989
Over 2,000 Lots with Gear Machines by Gleason, Pfauter, Liebherr, Niles, Oerlikon, maag, Sunderland, etc. Machine Tools by Webster & Bennett, DeVlieg, Colchester, Jones & Shipman, etc. Plus huge range of Measuring, Inspection, Workshop & Office Equipment.
Full details from
HENRY BUTCHER & CO, Brownlow House,
50/51 High Holborn, London, WC1V 6EG,
Tel: 01-405 8411 Fax: 01-405 9772
Telex: 897377.

TECHNOLOGY

The fruits of tinkering with genetics

Peter Marsh examines the agrochemicals business's growing interest in biological control

Without technological advances in areas like fertilisers and agrochemicals, this century's startling growth in world food production – which has fed greatly increased populations – would have been impossible.

Applying chemicals to fields to speed crop growth or prevent attack by insects and weeds is, however, often linked with environmental problems, such as suspected contamination of water and food.

As a result, the battle is on to replace at least some of today's applications of agricultural chemicals with more subtle techniques which involve tinkering with the genetic structure of plants. By this route, the plants may be encouraged to grow in a tailored fashion – for instance, to produce bigger or riper fruit – or to develop resistance to insect or fungal attack.

Rather than spray on chemicals to induce a plant to grow in a set way, "we have to get the plant to do more of the work itself," says John Callahan, a vice president at Calgene, of California.

Calgene is one of the small, young US companies developing crop-control methods, based on manipulating genetic fragments or on other biological procedures.

Also investigating these ideas are many of the big players in the world's $20bn-a-year agrochemicals industry. Such companies include Ciba-Geigy of Switzerland, Bayer of West Germany, Du Pont of the US and Imperial Chemical Industries of Britain.

There has been a parallel movement among agrochemicals suppliers in the $13bn-a-year seeds sector. Until recently seed production was a fragmented, low-tech area, dominated by companies which had grown out of the agriculture supply business.

However, the idea that plants can be "programmed" to grow in certain ways has set in motion a revolution in seeds production. Over the next decade, farmers are likely to be offered new, high-tech varieties of seeds which by virtue of their genetic blueprints will produce plants with in-built insect resistance or other special characteristics.

This has prompted many of the big agrochemicals companies to spend hundreds of millions of dollars on moving into the seeds business, either by acquisition or by internal research and development. Among the companies involved in these forays have been ICI, the Anglo-Dutch Shell group, Monsanto of the US, Switzerland's Sandoz and France's Rhône-Poulenc.

Established seeds producers, including Pioneer and Dekalb, both of the US, have also been investing in biology-based research to upgrade their seed varieties. And the trend has not gone unnoticed by food companies, such as Nestlé of Switzerland and Campbell Soup, W R Grace and Kellogg of the US, which are examining the potential for turning out specific grades of cereals and other plants.

There is much excitement about the long-term implications. However, many in the chemicals and food industries caution that pay-offs are unlikely before the turn of the century. This is partly because of the long development times; and partly because of the need to break down entrenched attitudes in farming.

In any case, as John Finney, research director at ICI's agrochemicals division, points out, it would be practically impossible to transfer to plants all the genes required to maintain optimum growth and resistance to external attack. "It will be decades, if at all, before we eliminate the need for agrochemicals," he says.

The ideas related to biological plant control can be grouped into the following categories: chemical shielding, in-built insect resistance, tailored plants, novel modes of attack and hijacking bugs.

Several weed-killers, including Roundup, sold by Monsanto, and ICI's paraquat, have the disadvantage that they destroy all plant growth, including the crops that a farmer wants to protect. Chemical shielding involves building in protection by inserting a gene that resists attack by a specific agrochemical.

This would lead to the possibility of a farmer spraying on a non-selective herbicide, like Roundup, confident that it would not disrupt crop growth. This would provide greater flexibility in the times during a growing season when such chemicals could be applied. Companies doing research into chemical shielding related to herbicides include Monsanto, Rhône-Poulenc, American Cyanamid and Du Pont.

Attack by insects or fungi is generally combated by spraying on insecticides. Often the danger to the plant comes not from the insect itself (except where the insect has a voracious appetite for a particular crop) but from the viruses which it carries.

Calgene is one of several companies looking at in-built insect resistance: the possibility of introducing into plants, such as cotton, segments of biological material to make them immune to attack from insects, such as the bollworm and the budworm.

Another small US company striving to produce insect-resistant cotton is Agracetus, which plans to field-test its plant strains next year.

A variation on this idea is to introduce a gene or some other biological fragment that will confer resistance to a virus that may be carried by an insect such as an aphid. This is similar in principle to vaccinating people. There is much interest in providing plants, including barley and sugar beet, with protection against diseases such as sugar beet yellow and yellow dwarf.

With tailored plants, the idea is to insert genes that will cause the plants to turn out specific varieties of fruit or grow in a set way. ICI has had some success in programming tomato plants to produce fruit with ripening characteristics that facilitate canning.

While much of the plant-related biotechnology studies have involved seed research, several companies are looking at novel modes of attack. This involves engineering new types of pesticide, based on biological fragments such as synthetic chemicals.

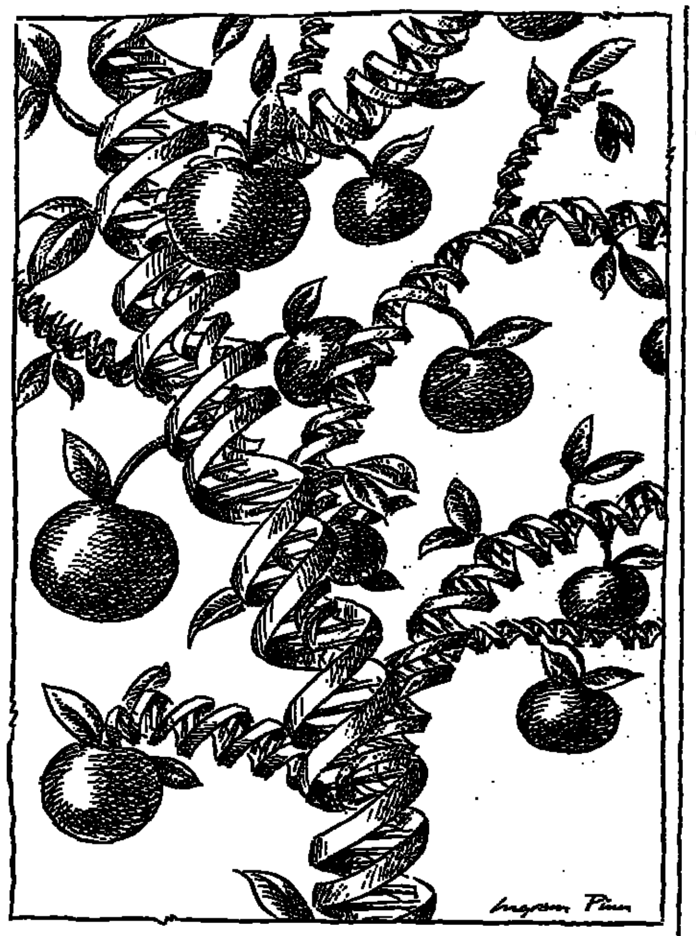
The action of these materials might be similar in terms of killing weeds or unwanted insects, but they offer the possibility of being more biodegradable than existing agrochemicals and hence friendlier to the environment. ICI is among several companies interested in using fermentation processes to turn out novel protein-based mixtures that could destroy pests or interfere with the growth of weeds.

Mycogen, a US biotechnology company, is working on a new crop-control spray comprising a protein that kills caterpillars. The protein is wrapped inside tiny cells, made of natural polymers and having extremely fine dimensions. The material poisons the caterpillars as they bite through the cell walls. Any of the substance left uneaten will break down naturally within a short time. Mycogen hopes to test the material next year in collaboration which Shell, which plans to market the substance in Europe, and Kubota, a Japanese maker of farm machinery, which will be responsible for Far East sales.

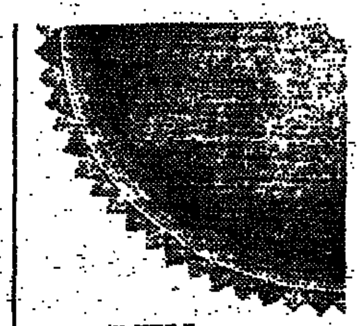
Another set of techniques – hijacking bugs – involves harnessing naturally occurring bacteria and other organisms to fight insect attack. Such organisms exist in profusion in nature; the aim is to use them to target specific species.

Crop Genetics, of Maryland, has injected into naturally occurring bacteria a gene from another bacterium called Bacillus thuringienis. This gene makes a toxin which kills corn borers, which tunnel into corn stalks causing the ears of corn to fall off.

In related research, the Agricultural Genetics Company (AGC), a small UK company in which Ciba-Geigy has a stake, is working on insect-control strategies based on tiny worms called nematodes. By choosing nematodes which attack notorious pests, for example vine weevils, and breeding them in high concentration, AGC hopes to offer farmers a natural way of attacking insects.



WORTH WATCHING



Edited by *Geoffrey Charlish*

A greater sense of road speed

A SENSING unit which can accurately measure vehicle speed has gone into production in the UK.

The unit, which is the size of a paperback book, is fixed to the underside of a vehicle. Developed by Plessey, the UK electronics company, it employs the Doppler principle in which the frequency of a signal source changes if the source is in motion.

This effect is experienced on a railway platform when a train passes at high speed. The locomotive's hooter note appears to rise in pitch as the train approaches and fall as it recedes.

Unlike conventional devices, there are no moving parts or connections to engine, gearbox or roadwheels, and tyre profile has no effect. Since the unit measures true road speed, it is likely to be used in electronic car control systems to provide data for anti-lock braking, dynamic suspension, navigation and car guidance systems. Only one type of unit need be stocked for different models or makes of car.

A high frequency (24 GHz) radio beam is directed at the road and reflected back to the unit. But while it is returning, the unit is moving on and this has the effect of changing the beam's frequency by a small amount.

The change, measured by the unit, enables the vehicle's speed to be worked out to an accuracy of one per cent. Similar units could be used at the front and rear of vehicles in collision-avoidance systems.

Plessey says that although advanced semiconductor technology is used, the manufacturing cost will not differ much from existing electromechanical systems.

Keyboard labels at a stroke

THE laboratories of Siemens, in West Germany, have developed a laser-based system that allows newly manufactured keyboards to be rapidly engraved for different markets and countries.

A laser beam, directed by computer-controlled mirrors over a 100 mm square, inscribes characters on the thermoplastic keys in a heating process lasting about 30 seconds. The result is a crisp, wear-proof image on each key, able to withstand more than 10m strokes.

Individual characters are designed with the help of a computer and the data describing them is stored electronically. It is then used to produce software for each keyboard variation.

Siemens has introduced the technique at its business systems plant in Augsburg where 120 keyboard variants are made using 4,000 symbols. Further development will permit colour inscriptions, with the beam transferring dye from a film placed over the keys.

First to pass Europe-wide test

THE first telecoms product test certificate – under a new pan-European scheme – has been issued by Teleprove, British Telecom's independent testing house, to UK company Fivemere.

Teleprove is the first centre to obtain recognition for conducting tests to the new European standards, which are called Normes Européenes de Telecommunications. The standards flow from a joint initiative by the European Commission and the Conference of European Post and Telecoms.

Such approval means that a UK company wishing to sell telecoms equipment in Europe need deal with just one UK test house, avoiding the expense and delay of dealing separately with 17 other European centres.

Quick recognition of speech

A NEW speech recognition system, which responds quickly enough to be used to control industrial processes, has been developed by the French company Sefer.

The unit, called Ramses 2, has a response time of between 0.2 and 0.3 seconds.

Within its maximum vocabulary of 100 words, several people can store their own sets of words. The unit will identify speakers when they say their names. Once it learns a vocabulary, Ramses 2 will recognise more than 95 per cent of the words spoken to it.

On the front panel of the unit is a small liquid crystal display which shows the words as they are recognised during the learning stages.

Industrial applications include quality control on a production line, automatic sorting and dispatch, stock management and data input to computers.

The system will also be useful to people tied up with another task and to the disabled, for example, for voice telephone dialling or controlling a wheel chair.

IBM push in document access

IBM is attacking the growing market for electronic document handling with the launch of ImagePlus, aimed at organisations that have to store and access original documents on a large scale.

Banks, building societies and government departments are the main targets. The IBM systems will provide a challenge to Philips, which has pioneered this area with its Megadoc equipment, and to Kodak.

The hardware consists of networked Personal System/2 workstations, scanners, special display monitors and mainframe computers to suit either company-wide or departmental systems.

ImagePlus scans original documents into a store that uses magnetic disks for speed of access and optical disks for large-scale, compact storage. Any number of users can see the documents on screen simultaneously.

ImagePlus systems are already installed at a few sites in the US and will be delivered in Europe from early next year.

CONTACTS: Plessey: London, 553 8827. Siemens: UK-office, 0932 752323. BT: 728 4444. Sefer: France, 4951 2960. IBM (UK): 0705 321212.

ARTS

A bohemian back from the dead

William Packer on the artistic life – and near-death – of John Bellany

THE circumstances of the artist's life should not normally be allowed to intrude too much upon critical consideration of his work, least of all be admitted to affect the actual judgement. But from time to time it is necessary to discuss something of the particular biography, if only to get it out of the way. The Scottish painter, John Bellany, whose latest work is now on show at Fischer Fine Art (30 King Street, St James's, London SW1; until May 5), merely supplies a conspicuous example.

He is a man of strong character and great charm, the very type in the popular mind of the combative bohemian, bearded, garrulous, living for his art. His story is made for the feature writer and the television producer, full of spirit and human interest, lent further spice for being in essence one of triumph at last over disaster, largely self-inflicted.

Bellany was always a heavy drinker, a condition which developed into serious alcoholism. His first wife divorced him for this reason, and he married again. His second wife suffered a long illness, for which she was in and out of hospital, and it was during one such interval, some four years ago, that his own physical collapse occurred. He was rescued, quite literally at the point of death, by his first wife, whom he remarried after his initial recovery and the death of his second wife. Last year his condition deteriorated again to face him with the stark choice between a liver transplant and death. He is still only in his middle 40s.

Drunk as he was or sober as he now is, Bellany has always been the most prolific of painters, and in all this later time, for all the constraints of his convalescence, he has never stopped working. This exhibition fills the gallery and consists entirely of work done since the operation, in itself a small miracle. There has always been much of overt autobiography in the subject matter of his work, and these latest watercolours and large canvasses include several that refer directly to this latest climacteric in his life and close brush with death. There is to it all an air of celebration, and self-celebration at that, but here we must take care not to be drawn in too close.

Story and achievement are alike remarkable, but may all too easily get in the way of the work. The life will qualify the work, of course, by the material and experience it affords, but not in terms of its quality or substantial achievement. It is the work for what it is, as it is, that is the only consideration, or we should forever find ourselves saying "poor Rodin – those awful women; poor Modigliani – all that drink; poor Rembrandt – he was so hard up: if only, if only . . ."

Fortunately there is rather more to Bellany's painting than mere special pleading. He was always one of the most talented painters of his generation, with the added distinction of having committed himself to a thorough-going figurative expressionism even while still at the Royal College in the 1960s.

To do so then was rather to swim against the tide. Bellany was in fact a new wave expressionist considerable "avant la lettre," and while younger and lesser painters were successful before him, in terms of public and official patronage, his turn came round, and he remained in the meantime ever consistent, uncompromised and true to himself in his work.

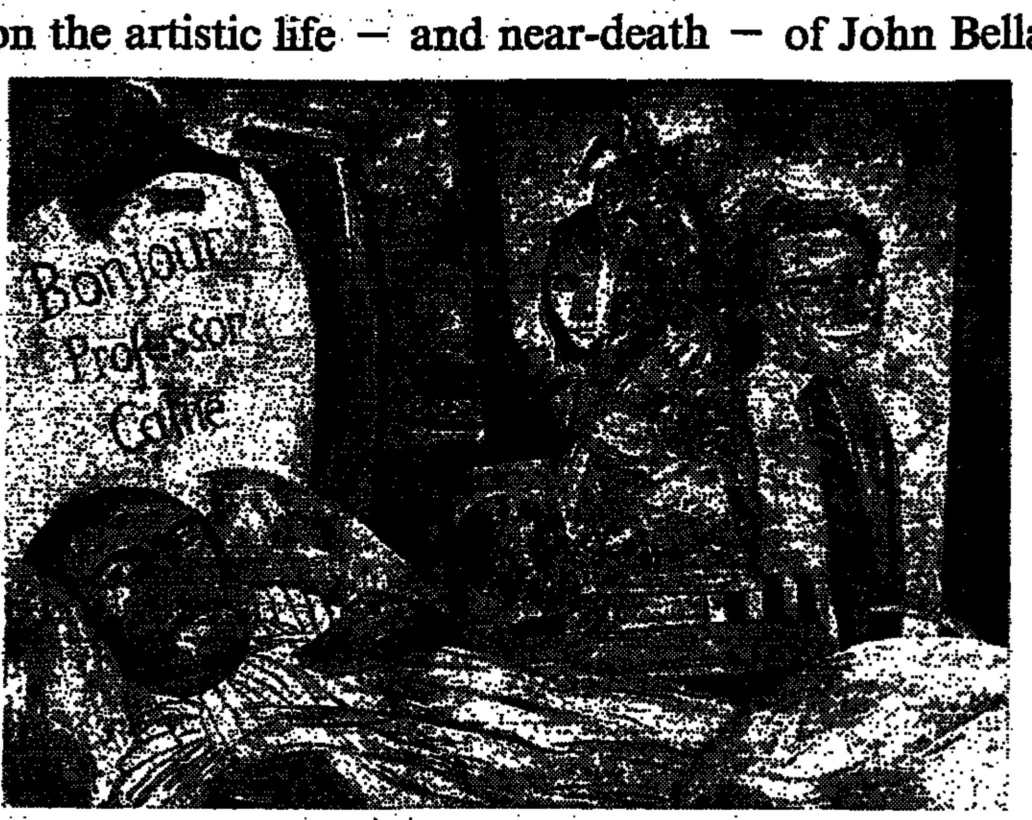
This latest show offers us evidence of practical change and development in the work, yet it remains so much the same. Its true interest lies in the actual quality of what has been done, not, *pace* Johnson's woman preaching, that it were done at all.

Perhaps convalescence has slowed Bellany down, if only by a little, or perhaps the final choice was not entirely his, but there is in this work a clearer sense of definition overall than for some time past. The quality is one of sureness in the statement, even a savouring of the paint as opposed to the old occasional desperation. There is yet no discernible loss of energy where the mark is made on the canvas, and no loss of painterly assurance in the way it is laid on.

The palette is the same, high in key and familiarly colourful, all bright green, scarlet, yellow and ultramarine. The cast of images, too, is as it was, with its symbols and trophies, its birds and beasts, its private mythologies that yet inform the recognisable personal life.

But the myth now takes on from time to time an epic rather than a particular and ambiguously private character. The Nordic and Beckmannesque are curiously overlaid with more classical and general associations. The eagle is poised to tear the liver of Prometheus, who has become a kind of Janus figure, wearing the mask of death to look, yet not to look, behind him. The family gathers at the patient's bedside. The travellers meet, a fish porter in the market and a sphinxlike, bird-headed fishwife from Port Seton.

In one of several self-portraits, the artist casts himself as the Ancient Mariner, bird's head and fishtail slung round his neck; and we all know what had happened to him. We are free to walk away, but there is something fascinating about him, even so.



Bonjour, Professor Caine, an oil on canvas self-portrait by John Bellany

Shnitke and Górecki

QUEEN ELIZABETH HALL

The London Sinfonietta's latest "Response" weekend – three successive evening concerts separated by talks and films – has devoted itself, with extreme and wholly effective simplicity, to two important figures of Eastern European music. Both are in their mid-50s; one, the Russian Alfred Shnitke, has become comparatively well-known in this country of late, whereas the other, the Pole Henryk Górecki, has remained, except by reputation, little known. The chance to extend awareness of the former, and to make acquaintance, however slight, with the latter, was of enormous value.

Each of the two composers had an orchestral concert (conducted by David Atherton) to himself, and shared Friday's London Sinfonietta Voices programme (conducted by Terry Edwards). The quality of Shnitke on display, most of it new here, was high. This is not always the case: the multi-inclusive nature of his creative personality and the daring to "try things out" so long forbidden from the Soviet musical scene, can lead him to produce great sagging hold-alls of music – bits and pieces of this and that flung together in a spirit as much hopeful as exploratory.

There was a touch of this in the *Concerto Grosso* (1984-5) for two violins and chamber orchestra, which sets off in joke-Baroque style and then collapses the joke, soon and without warning, in quirky gestures. But the other sides of Shnitke's creative personality, the Shostakovich-inherited austerity of approach and the devotion to Russia's spiritual past, are allowed to emerge during its course, and the mood in which the listener is left is of eloquently mournful tenderness.

The Septet (1982) is likewise an embittered pastoral that shades into elegy. Perhaps the most immediately rewarding work of the whole weekend was Shnitke's 1979 Concerto for piano (Paul Crossley in tremendously authoritative form) and strings. Here the composer plays (in all senses) with the late-Romantic piano-concerto figuration inherited from Chaikovsky and Rakhmaninov, attaching to himself their grandiloquent styles and moods yet at the same time slipping in a whole series of ironic counterpoints or question-marks. Shnitke at his best is always able to reconcile his various themes and quests at the point of conclusion: the concerto's closing moments look back, bind together, in a way that is wonderfully moving.

Shnitke's stature was reaffirmed by this "Response." I am not at all sure that anything similar or parallel could be said for Górecki, though it is doubtless quite wrong to expect to "know" any composer after so brief an introduction. He came to prominence as one of the Polish avant-garde adventurers of the late 1950s, but has since renounced international modernity by embracing the modes and spiritual values of Polish church and folk music in all its substantial inheritance.

Of the earlier, experimental Górecki we heard *Musiquette IV*, a kind of mini-trombone concerto full of violent repetitions separated by no less jagged pauses. The lighthearted, crypto-minimalist 1980 Concerto for harpsichord (the brilliant Polish virtuoso Elisabeth Chojnacka) and strings makes use of similar stylistic preoccupations, but in an approachable, audience-entertaining way that seems to be the exception rather than the rule in Górecki's music.

The spiritual concerns of Górecki's later work seem particularly to be insisted on; the lengthy repetition or expansion of a few slow phrases already trademarked earlier requires an approach from the audience that can only be called meditative, or even mystical. In the 45-minute three movement Lerchenmusik (1984-6) for piano, clarinet and cello, the actual phrases are so bare of inherent interest that, for anyone unable to be drawn into the composer's slow progress, the experience becomes a trial of patience (Messiaen's *Quartet for the End of Time*, a possible influence, is fleet of foot by comparison).

The weekend closed with Górecki's most famous work, the 55-minute Third Symphony, a three-movement structure of poetry-settings for soprano (the excellent Margaret Field) and orchestra subtitled "Symphony of Sorrowful Songs." In what one might call "antique" style, with its stained-glass modal harmonies, lush string textures, and rapt slow pace, the symphony is obviously a deeply-felt statement of belief, which many in the large audience no less obviously shared. For myself I found nearly an hour's worth of relentless diatonic uplift very hard to take. Indeed, on the evidence of this weekend, I clearly don't "get" Górecki at all.

Max Loppert

Marriner's Beethoven

FESTIVAL HALL

This was not the first "original" concert to have been resuscitated. As interest has grown in setting the classics within a historical context, so performers have begun to present familiar, great works in the same programmes as they were first heard.

Unlike some concerts of its day, that featuring the first performance of Beethoven's Ninth Symphony was a comparatively brief occasion. There is no need to present it as a special marathon event to 20th-century audiences and the programme, with only "A Grand Overture" and "Three Grand Hymns" as supporting attractions, was revived as standard fare by the Academy of St Martin-in-the-Fields under Neville Marriner.

This was not, in any other respect, an "authentic" performance. Though Marriner may have his place in that movement thanks to his foundation of the Academy in 1959, one of the early steps towards stripping away the traditional style of classical music-making, he has never gone so far as to adopt in its place the acerbic clarity and striking precepts of the latest thinkers.

His is essentially the traditional Beethoven watered down. It was typical that the best moment in these "Three Hymns" – in fact the "Kyrie", "Credo" and "Agnus Dei" from the *Missa Solemnis* – should have come in the closing stages of the "Credo," where Marriner expertly brought sense to music of impending chaos, clarifying the choral part-writing with just the same tidy exactness that robbed the work of any sense of aspiration elsewhere.

The Ninth Symphony, too, went along similar lines: rhythmic pointing without tension, fast tempi without excitement. One might admire the Academy's precision in the Scherzo or the untroubled serenity of the Adagio's opening theme. But whenever the time came to meet the Symphony's soul face to face, as in the heart of the first movement where the argument is at its most concentrated peak, there was simply nothing there.

A four-star line-up of soloists made the finale more inspiring: Samuel Ramey announcing the "Ode to Joy" with incomparably proud, ringing tone, impressively supported by Karita Mattila, Anne Sofie von Otter and Francisco Araiza. The Academy's Chorus were also on strong form, but singers alone and impeccable orchestral expertise do not make an authentic Ninth Symphony in any sense.

Richard Fairman

Soviet stars in an explosive debut

On the evening of March 15, the National Ballet of Soviet Georgia (the "academic" folkdance company founded and directed by Nina Ramishvili and Iliko Sukhishvili) exploded on to the stage of the Teatro Olimpico in Rome, immediately igniting the atmosphere in a manner that no other dance company had yet achieved. The dancers must have changed many times since we first saw the company at the Albert Hall in London, and several of the numbers have changed, too.

What remains as startling as ever is the speed that matches the utter precision of every movement, and the extraordinary vigour of the men – who should be seen by anyone who still nurses the delusion that male dancers are "namby-pamby." Whether turning on their knees, pirouetting or leaping round the stage, or brandishing a variety of intimidating armoury, these are professional supermen. That they should also dance on their toes seems hardly surprising.

The women look beautiful in the elaborate costumes, but they are permitted no virtuosity, being limited to graceful hand and arm movements and tiny steps with their feet hidden by their long skirts. The rather repetitive accompaniment was the only flaw.

The company could hardly contrast more strongly with the small group from the Maly Theatre in Leningrad that paid a brief visit to Spaziozero a week earlier. These excellent classical dancers came as the "modern" arm of the Maly, directed by their choreographer, Leonid Lebedev. Unfortunately, his modernity does not transcend a timidly distorted classicism, except that the dancers are too rarely allowed to stay upright. In the incomprehensible opening work, *The Weeping of the Whale, the Eyes of the Wolf*, Yuri Petukhov was obliged to remain lying on the ground or crouching almost throughout. A programme note referred to his elevation; it would have been agreeable to have a sample of it.

For Rome to host two dance companies of some importance constituted a rare event. Among the visitors that bypassed the political capital, Maurice Bejart's as usual received the most wholehearted plaudits, first for its three programmes at the Teatro Petruzzelli in Bari and then for two mostly different ones at the exquisite Teatro La Fenice in Venice.

The label has changed from Brussels to Lausanne, but the mixture is much as before, so the move has really affected only the inhabitants of those two cities. The first Venice programme was rewarding both for the evident care that had gone into the preparation of *The Dybbuk*, which contained Grazia Galante's best role yet as the central character in the insufficiently clear narrative, and for the splendid dancing of the young Swedish dancer Goran Svalberg in the largely preposterous *Trois Etudes Pour Alexandre*.

Clement Crisp reviewed this work when it was given in Paris with Fernando Bujones, for whom it was created. Svalberg has a smoother style, more of the build of the danseur noble, but he made bearable the longeurs caused by the irrelevant addition of Afri-can music to the theme by Shostakovich. Bejart's musicality has never been his strongest point, and it let him down in *The Dybbuk*, too, Jewish music and Arnold Schoenberg making an odd mixture. It was impossible to follow the recorded speech and too heavy a hand had been used in the contrasted group dances.

Nevertheless, I found it a fascinating work for the most part and admired again the touching pas de deux for Lea and Hanan (Gil Roman) that Bejart had previously included in the Paris programme at the Palais des Congres that opened with *Souvenir de Leningrad*.

Bejart is not the only Frenchman who can be sure of an enthusiastic welcome from Italian audiences. Patrick Dupond is the most idolised of French dancers, and now he is not only a dancer but also the artistic director of the Ballet Francais de Nancy.

Under its new management, the company has dropped the word "theatre" from its name, but on the basis of the Modena programme, it could have been retained, for the emphasis in three out of four works was theatrical rather than strictly choreographic. This applies both to the opening demago-gic megalo and the new work. Dupond's own curtain-raiser (which appropriates the end of Beethoven's Seventh Symphony) can hardly be taken seriously as choreography, meant as it is to show off his virtuosity and to endear the audience with his carefully nurtured gamin image, complete with pet dog. The Modena audience responded as intended.

Thierry Malandain's brand-new Illuminations had Dupond in the stock central character of an unhappy, misunderstood adolescent. At curtain-rise he was seen dejectedly seated, clasping his head and rocking it in anguish. His tightlipped family, his fiancee, a group of shadows, all lacked originality in the way they were depicted, but not force. Benjamin's Britten's music (on tape) gave the impression of being used only as background music, greater prominence being accorded to Jorge Gallardo's scenery, with his high-backed bright red chairs particularly striking and obviously taken to be meaningful. Dupond gave the role of the adolescent as much as anyone could, both in his emotive power and in the strength of his dancing, which has gained in precision without losing its dash or its elevation.

The company gave excellent support, and also laudably managed not to overplay Jiri Kylian's Symphony in D. Ulysses Dove's *Faits et Gestes*, created by the company last year and accompanied by Robert Ruggieri's aggressive jazz score, has the women in black stockings and is reminiscent of some of Forsythe's works in its seemingly brutal pulling around of female bodies.

With the principal operahouse companies in the doldrums, we have had to be especially grateful for these guests. After the cancellation of the complete run of Yuri Grigorovich's production of *Raymonda* at La Scala, because of a union dispute, the opening performances of *Le nozze di Figaro* were lost owing to a strike.

'What remains as startling as ever is the speed that matches the utter precision of every movement, and the extraordinary vigour of the men'

Freda Pitt

Chichester Festival Theatre 1989

The 28th season of the Chichester Festival Theatre, directed by John Gale and sponsored by Nissan UK, will open on May 3. The opening play is *Victory*, adapted by Patrick Garland from Thomas Hardy's *The Dynasts*. The production is billed as a community project and will have a cast of more than 100.

There follows on May 17 a revival of the adaptation by Ruth and Augustus Goetz of *The Heiress* by Henry James. The cast will be led by Alec McCowen and Nichola McAuliffe, and will be directed by Vivian Matalon.

Robin Phillips, the director designate of the festival, will direct *London Assurance* by Dion Boucicault on July 12, the cast led by Paul Eddington and Angela Thorne. This production is sponsored by Allied Lyons.

The season closes with a revival on August 2 of Stephen Sondheim's *A Little Night Music* directed by Ian Judge. The cast includes Dorothy Tutin, Lila Kedrova and Peter McEnery.

1989 also sees the opening of the Minerva Studio Theatre which has been funded by Nissan UK Ltd, J Lyons Catering, the Chichester Festival Theatre Society and public donations.

The sponsors for this opening studio season are IBM UK Ltd and Champagne Pommery.

The studio programme, opening on May 19 with Gorky's *Summerfolk*, features new plays by Robert Glendinning and Shirley Gee. It will also feature revivals of Marivaux's *Triumph of Love*, Caryl Churchill's *Cloud Nine*, and William Shakespeare's *Love's Labour's Lost*.

The artistic director of the studio is Sam Mendes.

Michael Coveney

ARTS GUIDE

March 31-April 6

OPERA AND BALLET

London

Royal Opera, Covent Garden. Luchino Visconti's famous 1958 production of *Don Carlos* returns for its last-ever revival, conducted by Richard Armstrong, with a cast including Samuel Ramey, Dennis O'Neill, Katia Ricciarelli, Agnes Baltsa, and Gino Quilico.

English National Opera, Coliseum. Jonathan Miller's dark, handsome staging of *Don Giovanni* is revived with Steven Page in the title role, Rita Cullis as Anna, Elizabeth Hynes as Elvira and Jane Glover (making her Coliseum debut) as conductor. More performances of the first-ever Coliseum *Falstaff*, produced by David Pountney and conducted by Mark Elder or Lionel Friend, with Benjamin Luxon at the head of an excellent cast; final showing of *The Turn of the Screw*, another Miller production, with a notable Quint and Governess in Robert Tear and Gillian Sullivan.

Paris

Théâtre des Champs Elysées. Rossini's *William Tell* with Michael Schoenwandt conducting the Orchestre National de France in a new co-production between the Théâtre des Champs Elysées, Teatro alla Scala, Nice Opera and the Total Foundation for Music (47203637).

Paris Opéra. Tchaikovsky's *Sleeping Beauty* in Rudolf Nureyev's production and choreography after Petipa conducted by Patrick Fournillier alternating with Vello Paehn in Nicholas Georgiadis decors and with Paris Opéra stars (47425371).

Théâtre de la Ville. Carolyn Carlson dances *Solo Blue Ladyto* René Aubry's music (42742277).

Brussels

Théâtre Royal de la Monnaie. *Fidelio* produced by Adolf Dresen, with the chorus and orchestra of the Monnaie conducted by Hans Zender. Josef Protschka is Florestan, Janis Martin sings Leonora (Tues) 218.1211.

Vienna

Staatsoper. In repertory: *Il Barbiere di Siviglia* conducted by Ion Marin and sung by Martine Dupuy, Nicolae Ghiaurov, Bruno Pola; *Der Rosenkavalier* conducted by Horst Stein, with Lucia Popp, Patricia Wise, Alfred Sramek and Peter Jelositz; *Il Trovatore* conducted by Berislav Klobucar, with Martine Dupuy, Brigitte Poschner-Klebel, Piero Cappuccilli. Ballet: *Tanz Schule* conducted by Arturo Tamayo, and *Raymonda* conducted by Caspar Richter (51444. ext. 2660).

Volksoper. In repertory: *Die Zauberflöte, Die Fledermaus, Der Fremdenführer, Die Freischütz, Mignon, Hoffmanns Erzählungen* and *My Fair Lady* (51444. ext. 2662).

Berlin

Deutsche Oper. Closed for renovations.

Hamburg

Staatsoper: Der Rosenkavalier has fine interpretations by Judith Beckmann, Hildegard Hartwig, Dieter Weller and Helmut Berger-Tuna.

Rihm's *Die Hamletmaschine* will have its premiere this week. In the main parts are Richard Salter, Linda Plech and the two actors Christian Bossert and Wolfgang Trautwein. *Fidelio* has Nicolaus Harnoncourt as conductor.

Frankfurt

Opera. *Il Barbiere di Siviglia* features Zehava Gal, Michael Shamir, Bodo Schwanbeck, Rodney Gilfry and Franz Mayer. *Dido and Aeneas* is responsible with Glenys Linos, Valentin Jar, Ulrike Sonntag, Sonia Theodoridou, Linda Finnis and Margi Neubert. Also William Forsythe's ballet *Impressing the Czar*.

Cologne

Opera. *La Traviata* is sung by Maria Spacagna, Fernando de la Mora and Brent Ellis. Cologne honours the great producer Jean-Pierre Ponnelle, who died last year, by restaging the complete Mozart cycle of seven operas, all produced by Ponnelle. This week's performance will be *Die Entführung aus dem Serail* with a strong cast led by Mariella Devia, David Kuebler and Martin Finke. *Faust*, sung in French rounds off the week in Cologne.

Bonn

Opera. *Tannhäuser* stars Richard Versalle in the title role,Nadine Denize, Sabine Hass, Wolfgang Brendel and Alfred Muff. *Madame Butterfly* has wonderful Marco Arturo Marelli production and sets with Yoko Watanabe and Michael Sylvester are excellent in the leading parts.

New York

Metropolitan Opera. Benjamin Britten's *Billy Budd* returns to the repertory with Thomas Allen in the title role, James King as Captain Vere and Jan-Hendrik Rootering as Claggart, conducted by Thomas Fulton.

Jessye Norman sings Sieglinde, with Hildegard Behrens as Brünnhilde and James Morris as Wotan in *Die Walküre*, conducted by James Levine.

The week's performances also include *Rigoletto* with Hei-Kyung Hong as Gilda and Leo Nucci in the title role, conducted by Nello Santi.

The last performances of *Eugene Onegin* conducted by Andrew Litton with Mirella Freni as Tatyana and Jorma Hynninen in the title role. Lincoln Center Opera House (362 6000).

Washington

American Ballet Theatre. While Mikhail Barishnikov performs in *Metamorphosis* on Broadway, his company premieres his new staging of *Swan Lake* as part of their mixed spring repertoire. Ends April 16. Kennedy Center Opera House (254 3770).

Tokyo

Saburo Teshigawara (modern dance). *Melancholia* (Mon, Tues), *Ishi no Hana (Stone Flower)* (Thurs) Parco Theatre, Shibuya (333 4645).

Klimov seeks US backing

On a sunny afternoon in Beverly Hills, Soviet film director Elem Klimov strolled out on the patio to promote American support for a film adaptation of a Russian novel written in the darkest years of the Great Terror. "In our version of the story there's a big black cat who drinks and smokes and talks – so to whom else can I go than to George Lucas and Industrial Light and Magic?" Otherwise, he went on to contend, the spiritual depth of Mikhail Bulgakov's *Master and Margareta* will be preserved at all costs.

Klimov spoke not only with George Lucas, but also with Steven Spielberg, Robert Redford, and David Puttnam (in London) in hopes of raising a paltry $5m for the project, even if it meant casting Christ and Pontius Pilate, Margareta and the Devil, with American actors. "It's the Master who's the important figure."

Regardless of how fickle Hollywood may react to filming "a pure Russian classic," most observers did agree that the time was ripe to make a film out of one of the major novels of the 20th century. For, in 1991, when the hundredth birthday anniversary of Mikhail Bulgakov (1891-1940) rolls around, Unesco will reportedly pay honour to this highly respected writer-dramatist in the same manner as recently shown to Russian poetess Anna Achmatova.

Master and Margareta was penned at intervals throughout the 30s, when Stalin's Great Terror was on the rise, and friends were being picked up nightly by the secret police. The manuscript could only be circulated among intellectuals until permission was finally given to publish it in the Soviet Union in 1966, a quarter-century after the author's death. Permission to adapt the novel for the Soviet screen was withheld until 1985, shortly after Gorbachev's rise to power. Meanwhile, the film rights fell into the nebulous realm of public domain, which enabled Yugoslavia's Aleksandar Petrovic and Poland's Andrzej Wadja to adapt portions of *Master and Margareta* in collaboration with Western European producers in, respectively, Italy and West Germany. Roman Polanski is now also said to be interested.

Running at approximately three hours, Klimov's version will attempt to balance all three of the novel's integral themes: Margareta's love for the Master, who is committed to an insane asylum; Christ in dialogue with Pontius Pilate; and the Devil on the loose in Moscow. As for that big black cat, it functions both as an interconnecting motif and a symbol of the times, one not necessarily confined to the past.

Ronald Holloway

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Tuesday April 4 1989

Flustered by Lonrho

THE OWNERSHIP of a shop in Knightsbridge is scarcely a matter of enormous public concern. To have allowed it to become the focus of a growing political row, as Mrs Thatcher's Government has done by failing to publish a Department of Trade inspectors' report on the acquisition of House of Fraser by the Fayed Brothers, points to a remarkable failure of political judgment on the part of both the Prime Minister and her Trade Secretary Lord Young.

Not that there is anything new in that, where matters of *competition policy or official* secrecy are concerned. A conspicuous feature of the earlier Westland affair was the quite disproportionate political fallout in relation to the underlying issue. And in the case of the Spycatcher saga, where the Government sought to suppress publication of the memoirs of ex-MI5 employee Mr Peter Wright, political realism played second fiddle to the Prime Minister's preoccupation with legal form.

In this instance key facts about the takeover of House of Fraser in 1985 were known well before Mr Roland "Tiny" Rowland's Observer newspaper leaked part of the DTI inspectors' report last Thursday. All sides of the political spectrum *would no doubt agree that the* weaknesses in the system that permitted a £615m takeover to go ahead on the basis of misleading information should be addressed. But by insisting that publication of the report should wait until the Serious Fraud Office and the Director of Public Prosecutions have deliberated at length on the issues, the Government has succeeded in conveying the impression that it is anxious to protect itself from scrutiny in relation to its own past incompetence.

Awkward position

Yesterday Lord Young reiterated his strong desire to publish, but repeated the arguments about publication endangering a fair trial. And he pointed out that the prosecution authorities had told him that they might be obliged to stop their inquiries if the Government went ahead with publication. This certainly puts the Secretary of State in an awkward position, in that it inhibits his ability to exercise discretion in the matter. But it also looks one degree too convenient for the Government that its own law officers, who are traditionally regarded as independent of the political process, should have offered advice so evidently supportive of a controversial position.

Public domain

There are few common sense grounds for withholding publication, particularly since Lonrho has already ensured that key parts of the report are in the public domain. The legal grounds for non-publication have been questioned in the High Court by Lord Justice Watkins, who appears to have a healthier respect for the robustness of jurors than the Government's own law officers – who are not, incidentally, noted for the enthusiasm with which they pursue business scandals.

The Government's mistake has been to get its priorities wrong. The public interest would be better served by early publication and an immediate, determined attempt to address those weaknesses in the system that permitted a flawed takeover in the first place, even if this involved some risk *in relation to any future prose*cution. There has been far too much procrastination in the pursuit of corporate malpractice in the past.

It is also the case that the Government has underestimated Mr Rowland's capacity to wage guerrilla warfare. Lord Young will now wait for the Lords' verdict next week on the rights and wrongs of publication, while engaging in a fruitless legal pursuit of Lonrho for the return of copies of the report, which is now becoming available from printers in Continental Europe. Even after Spycatcher, it seems, the lesson of Canute remains unlearned. And if the Lords say that Lord Young's action was legally justified – which is not the same as saying that it was politically sound – the Government's record points to continuing silence.

Nothing would be more helpful to Mr Rowland's campaign – or more embarrassing for the Government.

Speaking for Scotland

THE SCOTTISH demand for self-determination will not go away. It ebbs and flows with the political tides. It takes different, and often mutually conflicting, forms – as between the current nationalist insistence that only independence will do and earlier opinion poll intimations that a devolved parliament would be sufficient.

It is not always logical: those who complain today that English Tory MPs decide Scotland's fate were not always heard when Scottish Labour MPs ruled, with their southern colleagues, over the conservative parts of England. It is not particularly numerate: even with North Sea oil in the equation the Scottish standard of living would almost certainly fall if English support systems were to be withdrawn. In spite of all that, the demand persists.

It should be met. The Scots should be given another opportunity to decide upon their preferred form of government. They voted for legislative devolution in a referendum 10 years ago, but the "yes" majority did not amount to the 40 per cent of the registered electorate required by the enabling law. That was a valid defeat for devolution, even though it was, in some senses, merely technical. (Few British Governments would be able to claim the support of 40 per cent of the registered voters.) It is not possible to say how the vote would go in another referendum today, for while there appears to be broad support for the notion of self-government of some kind, Scottish opinion is itself deeply divided. This is not a reason for doing nothing; Scottish feeling is too strong for that.

Middle ground

This was evident at the Scottish constitutional convention in Edinburgh last week. The campaign for a Scottish Assembly, of which the convention was a part, represents the middle ground in Scottish terms. An assembly is supported by the Labour Party, which commands a majority of Scottish seats at Westminster, and the Social and Liberal Democrats, whose belief in the devolution of power away from London has been a constant theme through all their recent troubles. Scottish local authorities, trade unions, churches and other organisations were also represented at the convention, which ended by proclaiming "the sovereign rights of the Scottish people to determine the form of government best suited to their needs."

Stony ground

One belief that united many of those present was a distaste for Thatcherism, which has, with few exceptions, fallen upon stony ground in the socialist-to-social-democratic far north of Britain. This distaste is shared by the Scottish Nationalists, whose support is now running strongly, partly at the expense of the Labour Party. The Nationalist vision, of independence within the EC, seems less unrealistic as 1992 approaches than it *might* have done 10 years ago. *If* the major state boundaries are to have a diminished importance in Western Europe the case will be harder to dismiss. There is a certain irony here: if the Nationalist demand were to be met, the British Labour Party's slim chances of winning a majority at Westminster would vanish altogether, since its 49 Scottish seats are vital to its future chances. In consequence, there is little love lost between Labour and the Nationalists; the latter unwisely decided not to attend a convention they regarded as principally a Labour affair.

The Conservative Party also declined to attend. Its position is that Britain is a unitary state, although the Scottish Office has much leeway within which to operate on a regional basis. But Scotland has this week become the guinea-pig for the Tories' new poll tax; Scotland alone would not have countenanced anything so regressive. The Conservatives are at a nadir in Scotland; they alone decline to offer any form of regional self-government. This position can be maintained for some time, to the advantage of the Tory Party nationally, since it keeps Westminster opposition parties at loggerheads with one another. It cannot, however, be sustained indefinitely. Sooner or later, the Scottish electorate will have to be given another chance.

David Marsh on the changing relations between France and West Germany

Testing the strength of the ties that bind

GERMANY, said President Charles de Gaulle in 1965, "feels a sense of anguish, sometimes rage, prompted by its own uncertainty over its limitations, its unity, its political regime, its international role. Its destiny appears all the more disquieting to the whole continent because it remains indeterminate."

A quarter of a century later, the General's words have regained a new aptness. West Germany has become a stable democracy and an industrial giant. Though beset still by the consequences of national division, the Federal Republic has followed for 40 years the path of integration with the West, and is by far France's most important political and economic partner.

Yet now, for reasons ranging from defence to demography, the French are again worrying about the West Germans. These preoccupations will be just below the surface when Chancellor Helmut Kohl meets President François Mitterrand for informal talks in southern Germany today.

The two leaders will be trying to clear up Franco-German divergences over conventional and nuclear disarmament. They will also attempt to forge a common line on European Community issues, particularly monetary collaboration and farm prices.

Mr Mitterrand will have to take account of what his advisers term "particular fragility" in West Germany. One senior official in Paris compares the Federal Republic with an unhappy school child seized by doubts about the relationship with his classmates in Nato and the EC.

Co-operation between France and West Germany, for 30 years the driving force behind the EC, has propelled joint European policies in areas from the Airbus airliner to the European Monetary System. Both governments show unflagging desire to extend links further, symbolised in the creation last year of two joint inter-governmental councils to harmonise military and economic policies.

Mr Mitterrand's problem, however, is that Bonn is becoming a more diffi*cult partner just when maximum* Franco-German solidarity is needed to cope with important shifts in East-West relations and to push through the Community's 1992 internal market programme. Reflecting outside pressures on the Federal Republic as well as political fragmentation within it, France-German relations may be heading for their greatest challenge since the 1950s.

One principal reason is the changed face of the Soviet Union presented by President Mikhail Gorbachev. This magnifies the Federal Republic's natural tendency to look eastwards as well as westwards.

Anxiety in Paris over West German security policies has been heightened by electoral setbacks for Mr Kohl's centre-right coalition, accompanied by a swing to radical parties on the left and right. With his Government looking increasingly beleaguered, Mr Kohl is considering a cabinet reshuffle for later this month.

The chances have risen that a Social Democrat-led government with a much lowered commitment to Nato could take power in Bonn after the December 1990 general elections. This would seriously weaken France's defence strategy, which has relied for four decades on staunch anti-communism in West Germany to form a bulwark against the Soviet Union.

Another official, from the Paris Foreign Ministry, voices concern that desire for partnership with Moscow is prompting the Federal Republic to put forward "German interests in the most restrictive sense of the term." He points to "loss of reality" in the Federal Republic about developments in the Warsaw Pact.

The West Germans, he says, "don't believe any more in the threat from the East. They don't think they need protection. They think they've entered into a new pacific era, that the risk of a conflict in Europe is totally suppressed. They think defence is a waste of money and does nothing except cause *accidents*." He adds that the West Germans aspire vaguely to change the post-war order but have no clear idea with what it should be replaced. "Why is it that they are so discontented in such a rich country?" he asks.

Along with the disquiet on the defence front, France is preoccupied about several aspects of its economic ties with West Germany as the EC moves towards a more competitive and unified market.

On the one hand, French officials and businessmen are uneasy at the Federal Republic's growing industrial muscle, reflected in a bilateral West German trade surplus totalling DM 50bn (£16bn) during the past three years.

On the other, the Paris government criticises the impact on France of sluggish West German economic growth over the past few years. Paris believes that, with the German population starting a gradual decline, the Federal Republic has less need to galvanise the economy than France, where the population is still growing.

With the franc tied to the D-Mark through the EMS, France periodically complains about being constrained to follow monetary policies set by the West German Bundesbank. The dollar's strength against the D-Mark has made this less of a problem in recent months. The French Finance Ministry says that, if the D-Mark is revalued within the EMS in the next few months against weaker currencies, the franc would move up with it.

None the less, misgivings about *being part of a de facto "D-Mark zone"* represent one of the main reasons why France is pushing hard for a joint Community central bank. Paris believes that, as part of a move towards European monetary union, this would attenuate the Bundesbank's restrictive influence.

One top Finance Ministry official says that Mr Pierre Bérégovoy, the Finance Minister, has now made the West Germans understand that he will defend the franc within the EMS. "When you maintain the currency, the Germans respect you," he says. To act as a counter-pole to the West Germans, Paris would like sterling to join the EMS fully, and officials voice irritation that Mrs Margaret Thatcher, the British Prime Minister, appears single-handedly to be blocking the way. "We can deal with Nigel Lawson, but not with Mrs Thatcher," says the Bérégovoy aide.

Mrs Thatcher's perceived obstructiveness on European unity meets much criticism in both Paris and Bonn. "Britain only adopts Europe if it is absolutely necessary," says Mr Hubert Curien, the French Research Minister, who has played a leading role in past years in fostering European *technological* co-operation through the Ariane space rocket and the Eureka technology programme. "No major action in Europe is possible unless France and West Germany are in agreement," he says. Agreement with the West Germans is "much more important than with the British," *who, he claims,* "are always tempted by their 'special relationship' with the US."

France has espoused German-style anti-inflation policies as an essential part of efforts to increase competitiveness. But officials and industrialists believe that the West German economy, whatever its export strength, is starting to lack vigour and flexibility.

One top official at the Banque de France calls West Germany a "rentier" state whose role has become to export capital to the faster-growing "absorbers" in the EC such as France. An executive at Thomson, the defence and electronics group, sees a "hardening" of protectionism in the West German defence sector, compared with a move to more open procurement policies in Britain and France. "There is a paradox. A fantastic liberal doctrine is mixed up with a good dose of industrial policy," he says.

Mr Jean-Louis Beffa is chairman of glass and building materials conglomerate Saint Gobain, which has 20 per cent of its European sales in West Germany and has manufactured in Germany since 1853. Because of high German social charges and shorter working hours, Mr Beffa says that his company's labour costs in the Federal Republic are now higher than in France, whereas two years ago they were slightly lower. He describes the Federal Republic as "very rich, with a tendency towards rigidity. The Germans are concrete, well organised, but a bit slow to evolve."

Of the competitiveness of the largest German companies, there is no doubt. West Germany has six companies in Europe's top 20 corporations (Daimler-Benz, Volkswagen, Siemens, BASF, Bayer and Hoechst), while the French have only four (Renault, Compagnie Générale d'Electricité, Elf Aquitaine and Peugeot). The West German six are roughly 25 per cent larger in sales terms than France's top four – and their turnover has risen nearly twice as fast since 1980.

West Germany is extending its industrial reach further with Daimler-Benz's proposed acquisition of Messerschmitt-Bölkow-Blohm (MBB) in defence and aerospace and Siemens' joint takeover bid, with GEC, for Plessey. France's state-owned aerospace company Aérospatiale is MBB's long-standing associate in European aerospace ventures, including the Airbus, helicopters and missiles. Mr Yves Michaud, Aerospatiale's managing director, says he sees no short-term consequences for France in the Daimler-MBB link-up, and stresses that he sees Daimler continuing as a partner.

The view from Paris is that West Germany is approaching a crossroads. An aide to Mr Michel Rocard, France's Prime Minister, says West Germany can go down three paths. It can play a full role in the construction of Western Europe. It can turn towards the East by becoming increasingly preoccupied with the old areas of German cultural and economic *influence in "middle Europe."* Or it can become a "gigantic Switzerland" – living off its capital exports.

The official points out that West Germany's desire to step up links with the German Democratic Republic and Eastern Europe makes Mr Hans-Dietrich Genscher, the Foreign Minister, an especially strong proponent of Western integration. Because West Germany is aware of other European countries' suspicions about any independent policies towards the East, it knows that it can embark on *Ostpolitik* only from a position of strength with the West.

The official adds that, whenever Bonn and Paris have problems, they can rely on Mrs Thatcher's "excessively dogmatic views" on EC integration to bring the two capitals together again. But it is a delicate equilibrium.

One of France's main tasks, the official admits, is to ensure that West Germany never has to make a choice between East and West.

France's sympathy for West Germany's position is based on the knowledge that, if Bonn were to become an unreliable partner for the West, the most immediate fall-out would be registered in Paris. This is one reason why, in the dispute within Nato over bringing new nuclear weapons into West Germany to replace short-range American Lance missiles, Mr Mitterrand backs Mr Kohl's line that no decision is needed for two years.

The two sides are, however, far apart on other disarmament issues. With an eye on its own nuclear strike forces, France rejects Bonn's desire for talks with the Warsaw Pact on reducing stocks of short-range missiles in Europe. Mr Mitterrand is also opposed to giving any kind of auto*matic "guarantee" to bring West Ger*many under France's nuclear umbrella. Under what French officials term "seduction" from Mr Gorbachev, West Germany's "reticence about nuclear weapons" is probably set to increase in coming months.

Realising that they each need each other, Mr Mitterrand and Mr Kohl have struck up a close if somewhat incongruous relationship over the last six years. Presidential aides say Mr Mitterrand was impressed by Mr Kohl's firmness over deploying medium-range nuclear weapons in West Germany in 1983, and has been agreeably surprised by the Chancellor's knowledge of European history. For success in weathering his troubles, Mr Kohl may find that an understanding ear in the Elysée Palace is a necessary, but not sufficient, condition.

Mitterrand (left) and Kohl: close relationship comes under strain

OBSERVER

The one that got away

■ Post-mortems into missed stories or reporting blunders are common if painful events at most newspapers. It was The Daily Telegraph's turn yesterday to convene a more than usually embarrassing inquest after it ran the sensational scoop that police had swooped at last on Peter Cameron-Webb, the evil genius of the PCW scandal at Lloyd's of London.

The Telegraph's story of Cameron-Webb's capture at Scotland's Prestwick Airport read like the most dramatic arrest of a fugitive since Dr Crippen. Cameron-Webb is wanted by the UK's Serious Fraud Office for his role in the late 1970s when ordinary members of Lloyd's were deprived of around £40m. Since 1981, he has been in exile in the US, and shown no inclination to come home.

But, according to yesterday's Telegraph, Cameron-Webb made the mistake of deciding to attend a conference in Finland. En route from Miami to Helsinki, his aircraft unexpectedly landed at Prestwick, where he was seized.

Strathclyde Police and Prestwick Airport were baffled by the calls they started receiving on Monday morning from journalists south of the border. Neither the police, nor the airport had any record of an unscheduled arrival or of the arrest.

At Lloyd's the initial reaction to the story was euphoric. "People were about to order the champagne," said Peter Tritton, of Lloyd's broker Alexander Howden. "I just hoped it was true," said David Coleridge, the Lloyd's market's deputy chairman. It was only when the Lloyd's press office rang the SFO for more details that they discovered that the Telegraph had been hoaxed: the story was completely fictitious.

At the Telegraph, the post-mortem revealed that the story reached the newspaper in a telephone call on Sunday evening from someone described by Richard Northedge, deputy City editor, as "a hitherto unimpeachable source." The source was so authoritative that the newspaper ran the story without further confirmation from the police. And the source is so well-placed that his or her cover could be blown if the newspaper gave any more details, according to Northedge.

Fooled

■ Supporters of Wimbledon Football Club believe that its reputation for rough play is completely undeserved. Nevertheless, they warmed to a story in last Saturday's programme. The owner of the new Wandle Valley stadium, to which the club is moving, it said, had requested a name change – either to Wandle Wimbledon or Wimbledon Wandles, the theory being that a change of name would lead to a change of image. Wimbledon promptly beat Nottingham Forest 4-1, but remember the date of the programme: April 1. Some people fell for it.

After Hoskyns

■ Peter Morgan, who will take over from Sir John Hoskyns as Director-General of the Institute of Directors in July, has a reputation at IBM (UK) for frenetic activity levels at work and leisure.

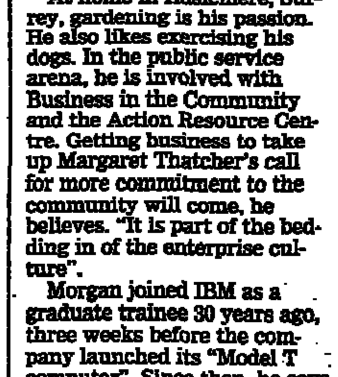
When approached first about the IoD, he thought the job could be done in tandem with IBM. He has since been convinced that it is full-time.

A great enthusiast for his native Welsh rugby team, he will presumably have to relinquish the IBM seats at Cardiff Arms Park which were bought after a long period of negotiation.

At home in Haslemere, Surrey, gardening is his passion. He also likes exercising his dogs. In the public service arena, he is involved with Business in the Community and the Action Resource Centre. Getting business to take up Margaret Thatcher's call for more commitment to the community will come, he believes. "It is part of the bedding in of the enterprise culture".

Morgan joined IBM as a graduate trainee 30 years ago, three weeks before the company launched its "Model T computer". Since then, he says that his career has "rolled along on the back of the data processing growth".

He rose quickly, mainly in sales and marketing. He spent six years in the Paris office in the 1960s and 1970s, returning to head the data processing division. Now 52, he is director of corporate services. In saying that he fears the enterprise culture has not yet taken root he sounds not unlike Hoskyns.



"I dreamed I was giving Kenneth Clarke a bed bath last night"

No history

■ British historians are a dying race. In 1981 there were 1,089.5 historians holding established posts in the history departments in British universities. At the beginning of this year the number was down to 964.5. (The halves are accounted for by part-time posts.)

But that is only part of the story. The real shock comes in the age profile. Just over 30 per cent of those historians are 50 or older. Just over 80 per cent are 40 or older. Only 1.2 per cent are under 30.

What is happening is that as historians retire, resign or die, they are not being replaced. There have 266.5 departures since 1981 and only 141.5 appointments.

The figures are given by George Bernard of the University of Southampton in a letter in this week's Times Literary Supplement. Bernard is the secretary of the History at the Universities Defence Group (Hudge). He gave an earlier version of them in a letter published in the Financial Times on December 8 last year in response to a letter from Robert Jackson, the minister responsible for higher education.

So far as I know no one has queried the figures; nor have they received quite the attention they deserve. The absence of young historians is surely a very serious matter with long term implications. Someone should listen.

Old school

■ From a Florida newspaper: "Winston Churchill was an outstanding product of the British public school system. The ability to mix with people of all kinds, the natural assumption of the right to lead, a concern for others rather than oneself – all typified a man who was an Old Harrodian." And utterly unselfridge.

LETTERS

Odds may favour further marine disasters

From Mr K.D. Shilleto.

Sir, Some time ago I pointed out to you the dangers of allowing very large crude (oil) carriers (VLCCs) to navigate, loaded, in confined waters. The Exxon Valdez grounding underlines the risks. Have we learnt nothing since the Amoco Cadiz calamity?

There is a parallel between maritime giants and jumbo jets. In elderly examples, pieces of jumbo jets are now falling off in flight. Aged large tankers offer equal or even greater risk. 400 human bodies are always a sad toll, but they do not pollute thousands of square miles of sea. Nevertheless, human loss does generate action. Marine pollution seems to carry a very limited health warning.

Of the 400-odd tankers above 200,000 tons capacity, trading today, some 350 were built at least 11 years ago; 280 are between 11 and 15 years old; 75 are between 17 and 20 years old. In simple terms, seven-eighths of the total VLCC fleet is more than half way through its useful life, and nearly three-quarters has traded for 75 per cent of life expectancy. There is virtually no replacement programme in hand.

I earlier posited to you a collision between a fully loaded supertanker and a cross-channel ferry. This, no doubt, would offer a disaster scenario to move governments towards action – including, as it would, all the horrors of mass death and extensive pollution over leisure areas of coast line. Do we have to wait for nemesis?

Let all oil tankers above 150,000 tons be banned from all confined waters. Let them trade to north Europe around the British Isles. Let them be confined to precise navigational channels worldwide and excluded from major harbour approaches.

Such action would not offer a panacea, but it should improve the odds against an increasing occurrence of marine disasters. Meantime, the mad economics of the market ensure that almost no new crude oil carriers will be built to replace today's rusting hulks.

K.D. Shilleto,
Internaft,
2 Basil Street, SW3

Ill fortune compounded

From Dr R.P.C. Mulcahy.

Sir, Thank you for your article of March 22 on the proposed changes in the National Health Service, and the doctors' concerns. What Michael Prowse does not highlight are the well-founded anxieties of the chronic sick, and in particular the housebound.

In the new, business-oriented NHS, to be imposed by the Government through the new GP contract next year and in the proposals contained in the publication Working for Patients (general practitioners will be obliged to be in their surgeries 20 hours per week consulting, and constrained by regulation to spend hours weekly visiting patients over 75), GPs will not lightly accept as new patients those customers who are housebound invalids, with high drug and treatment demands.

Apart from personal financial disincentives, the interests of existing customers, in the context of limited time and limited drug budgets, must make acceptance of such unfortunates improvident.

I am sure that currently registered consumers will have nothing to fear. But despite the assurances of ministers and civil servants, the chronic sick moving to new houses or homes will certainly find registration with a new doctor less easy than now.

Robin Mulcahy,
35a High Street,
Wimbledon, SW19

BES supports shipping

From Mr A.R. Belch.

Sir, There has been much debate about the Chancellor's recent Budget – particularly criticism that he has not done anything to help the British shipping industry.

It is only fair to point out that it is a very positive fact that the Chancellor has not interfered with the present business expansion scheme (BES) arrangement for shipping, whereby income tax relief can be obtained at an individual's highest tax rate in respect of an investment in a British shipping company.

This has undoubtedly encouraged the expansion of British shipping – as shown by the fact that my own shipping company, which has been trading successfully for about one year, is hopeful of purchasing up to four additional vessels – a result of BES subscriptions.

These vessels will all fly the British flag and employ British seafarers.

A unique aspect of our current BES subscription is that it is open for a period after April 5. Now that the Chancellor has signalled "no change," interested parties can invest in a British shipping company in the next fiscal year without fear that there will be any interference with their anticipated tax relief.

A.R. Belch,
Altnacraig Shipping,
9 Clairmont Gardens,
Glasgow, Scotland

Landowners' CGT relief

From Mr Anthony Rosen.

Sir, John Brennan (March 25) highlights the considerable financial gain to landowners when they obtain planning consent for some of their land.

Good agricultural land – worth, say, £2500 an acre – becomes 100 times more valuable overnight once the quirk of the planners' bounty is calculated. No one begrudges the landowner this windfall; it is much like winning the pools. But why on earth should he be able to avoid capital gains tax by means of roll-over relief?

Roll-over relief was designed to enable owners to avoid paying CGT so that they could continue the business *in which they were formerly engaged.* Sale of development land is not the same business as farming.

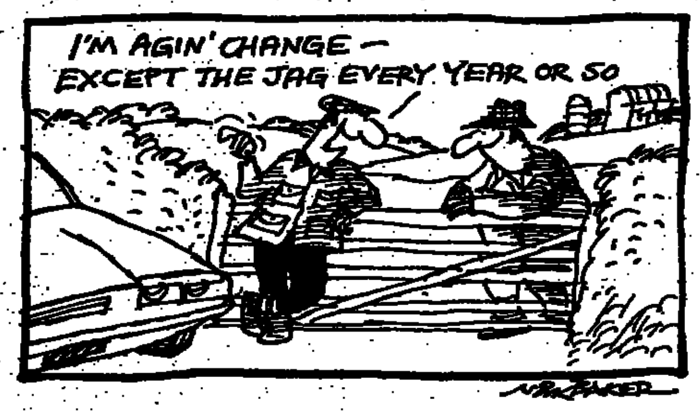
A farmer who sells just 10 acres of his farm for development will rush (often with indecent haste) to buy 1,000 acres of usually better land with his gains.

Roll-over relief was the major cause of swingeing increases in agricultural land prices in the 1970s. It is causing havoc in the land market again. Probably 30,000 acres of farmland will be sold for development in 1989. You do not have to be a mathematician to realise the pressure that the sums raised will have on the agricultural land market.

Excessive land prices are harmful to farming, and one can only express surprise and dismay that the County Landowners' Association (CLA) continues to extoll the virtues of roll-over relief on development land sales. The CLA's argument, that it is beneficial to farming because "it keeps all the extra money in the industry", does not stand up to close examination. Most farmers who sell their farms to the roll-over relief-ers will simply take the money and retire.

Anyone who sells agricultural land worth £2,500 for £250,000 should be satisfied with a net gain of nearly £150,000 . . after capital gains tax.

Anthony Rosen,
Feenix Farming,
Foxhill,
Elstead, Surrey.



Land Luddism would be a pity

From Mr Allan Buckwell.

Sir, I find it extraordinary (FT report, March 29), that the National Farmers' Union is apparently expected to seek a ban on the use of the new biotechnology-based product, bovine somatotrophin (BST).

Our farmers are apparently prepared to make this judgment before the outcome of the applications for a product licence has been determined by the competent authority.

The veterinary products committee is charged, under the Medicines Act of 1968, to evaluate BST against the criteria of safety, efficacy and quality. If its conclusion is that BST is safe, what are the grounds for doubt?

It does seem remarkable that our farmers are contemplating a ban such a short while after they bitterly complained that the European Community had prohibited the use of steroids in beef production before a scientific working party had reported on the matter. The reason given for calling for a ban on BST is the fear of a consumer reaction.

It is hard to imagine any action more likely to produce such a response than scaremongering of this kind by farmers. They additionally ask that the European Commission look into the land use and structural effects of the use of BST. This is a most alarming idea. If it implies that new technology is only to be permitted provided it does not lead to structural change, then we will be locked into our present technology for ever.

Safe new technology enables mankind to provide given outputs with fewer resources, to the benefit of us all. It invariably requires and stimulates structural change. If it did not, large proportions of our population would still be engaged in backbreaking drudgery.

One normally associates farmers with having a measured, solidly based view on life. They are evidently allowing themselves to be panicked by the recent hysteria over food quality. Now is the time for calm decision-making based on real evidence, not conjecture. This latter-day Luddism is not the right approach.

Allan Buckwell,
Department of Agricultural Economics,
Wye College,
University of London,
Wye,
Ashford, Kent

Concern for the rainforests

From Mr Philip Glover.

Sir, The rally at Altamira in Brazil, to which Ivo Dawnay refers (March 25), was principally a protest not of foreign ecologists, as he implies, but of Amazonian Indians.

They were protesting against a series of dams planned in the Amazon rainforest; the Balbina dam was one of the earliest. As with Balbina, the environmental cost would have been enormous. Large areas of rainforest would have been flooded, inevitably causing the extinction of endemic species. The dams would just as certainly have caused the disintegration of tribal cultures whose scholars alone know the properties of the species in their vicinity, or understand the ecology of the rainforest.

The electricity which the dams would have produced was destined not to relieve the energy crisis in the south of Brazil, but for further development in the rainforest in the north. A survey of Brazil's electricity needs concluded that an investment of \$8bn in energy conservation would save electricity equivalent to the increased generating capacity of the dams, which would require an investment of \$38bn.

On March 17, however, the World Bank and the Brazilian Government announced their decision not to proceed with the Electric Power Sector II Loan of \$500m, which would have helped to finance the dams. Instead, the World Bank now proposes a loan of \$350m-\$400m for environmental protection and energy efficiency.

Although well founded, the developed nations' concern for rainforests can indeed be seen as hypocritical, given our consumption of rainforests in the form of products such as tropical hardwood. There is only one way to convince tropical nations that our concern is genuine and sincere: to tackle the environmental problems we ourselves cause, with the urgency they deserve.

Philip Glover,
Friends of the Earth,
Unit G,
Arnos Castle Trading Estate,
Junction Road, Brislington,
Bristol, Avon

German shareholders' rights

From Mr J.E. Smith.

Sir, It is not quite correct that German banks "exercise the voting rights of the shares which they hold for their customers" (Letters, March 16).

Shareholders whose shares are held in "depot" by German banks are, I believe, given the option each year of either exercising their voting rights themselves, or of directing the bank how to vote on each resolution put to the company's AGM.

If one does not choose to exercise one's shareholder's voting rights, it seems rather unfair to blame the bankers.

J.E. Smith,
Bussardweg 11,
D-6370 Oberursel 4,
West Germany

'The world is full of players, not gentlemen, dammit . . .'

From Mr Jonathan Charkham.

Sir, Ever since (and probably before) someone inaccurately asserted that the battle of Waterloo was won on the playing fields of Eton, the great sporting image has haunted UK national life.

I knew a man with whom it was possible to converse entirely in nautical metaphors whatever the subject. You will have met it, no doubt:

"They've been sailing a bit close to the wind, but if they have the sheets in, and tack pretty smartly, they needn't ship too much water; mind you, one or two of them may have to walk the plank. Probably need a new man at the helm . . ."" and so on.

Was he talking about the Cabinet, or a merchant bank? It does not much matter.

The takeover world has not escaped the sporting metaphor. The Takeover Panel does not change its rules, it "moves the goal posts" – and some complain that it does so when the game is in progress (in which case it is unfair), or after a goal has been allegedly scored improperly into the existing net (in which case it is too late).

And the Department of Trade and Industry recently changed its rules in rather a hurry to stop anyone else doing legally what someone had just done rather sharply. That was an interesting combination of moving the goal posts and shutting the stable door after the horse had bolted.

But the great sporting metaphor in takeovers is the "level playing field." It is not clear whether this means a field without bumps and ruts, or one which is not on the side of a hill. One writer, at least, assumed it was the latter when he wrote recently: " . . . and would be concerned if the playing fields were tilted towards the target company."

This was intended to mean: "in favour of the target company." But in that case, surely, the tilt ought to be the other way? Do we not prefer to play downhill?

The real trouble comes with foreigners, dammit. After all, we cannot expect them to have our type of playing field, can we? Most of them (in the European Community, which is where the playing field metaphor is being so overworked that there ought to be an EC Directive about it) do not play cricket anyway, so they do not know what a straight bat is – nor a sticky wicket. (It is a miracle that they have playing fields at all – except they need playing fields to play our games, such as football.)

Do *we* need playing fields? Of course we do. If we are all going to take part in that lovely new game "put a company into play," where would we be without playing fields?

They do not do that in EC countries. Buying and selling businesses is not a game. They might say to us in the UK: "Sporting metaphors cause sloppy thinking. They indicate only too accurately the flippant way you approach the serious business of buying and selling people and the other bits and pieces that go to make up a business."

I suppose the answer would be: "We don't take anything more seriously than sport. If you don't understand that you haven't got to first base."

But I am uneasy. I should like to set a challenge to every UK official and businessman in 1989 to find other words (of a non-metaphorical kind) for "goal posts," "playing fields" (level or otherwise), and "putting into play." It might make us say more clearly what we mean. You need a clear mind and quick reactions to score off fast bowling.

The British assume that life itself is a game: a diminishing number believe that God is the scorer. As a game, it is no fun without rules. What distinguishes the "Gentlemen" from the "Players" is that the former were supposed to play to the spirit as well as the letter of the rules, like the old City of London. That we in the UK have an Securities and Investments Board (SIB), not an Securities and Exchange Commission (SEC) as in the US, is the last attempt to keep a vestige of that spirit alive.

Alas, internationally we must face the fact that the world is full of players, not gentlemen – and hard players at that, whose feeling towards the rules of the game is that these should be stretched whenever the referee is not looking.

It is no use Brussels making rules unless its players play the game. And the feeling of some industrialists is that the UK will be like Austen Chamberlain, a former UK Foreign Secretary, of whom Lord Birkenhead said: "Poor Austen. He always played the game. And he always lost it."

Jonathan Charkham
Bank of England,
Threadneedle Street, EC2

FOREIGN AFFAIRS

Why Bush's indecision will not do

Jurek Martin explains what the US position on the FSX aircraft reveals about attitudes to Japan

It is very hard to know what to make of the FSX affair. On the surface the question of who builds the next generation of fighter aircraft for the Japanese military, and on what technological terms, is redolent of any number of debates between the US and its Nato allies over the years, on radar, tank armour and the like.

Most of these have been interesting in their own right, generally commercially important and sometimes of political or symbolic significance for the nature of the Western alliance. But, like many pageants (to paraphrase Shakespeare's Tempest) most are apt to leave only a small rack behind.

What gives the FSX a different flavour is that it is the first really concrete issue to involve the new Bush Administration and one of its major partners. This is not hyperbole. Mr Bush is now on record as asserting that Japan is "the most important bilateral ally" the US currently possesses, a definition that may concern Mrs Margaret Thatcher but leaves Nato neatly unencumbered by jealousy since it has 16 constituent parts.

In any case, the President led the international parade of mourners at Emperor Hirohito's funeral. So, taking him at face value, it is reasonable to wonder if this is a harbinger of how the US treats its best friend, and what conclusions its other friends, not to mention enemies, might reasonably draw.

Put in extreme terms, the case against the Bush Administration is as follows; that, over the FSX, it is guilty of presumption in the first degree, with grievous sins of vacillation to be taken into account. Almost worse, it has shown itself susceptible to argument based on narrow interest, fear, xenophobia, and – let us not shirk the word – racism.

The counter, and much more comforting, conclusion is that there is something quite different in the connection between the US and Japan which permits the former to behave and the latter to react in ways that would not be countenanced in other relationships, and certainly not with Europe.

Into this contention would have to be built the historical US post-Second World War role as Japan's conqueror, reshaper, and security blanket and Japan's contented acceptance of a subservient role which has, none the less, permitted it great commercial freedom and hence affluence. Finally, it can be said that Japan allows itself to be badgered by the US because it has nowhere else to turn.

For those, reasonably, more concerned with recent events in Southern Africa and Eastern Europe, some background is in order.

The basic deal, cut and dried in 1987, was that General Dynamics of the US and Mitsubishi Heavy Industries, the lead Japanese contractor, would jointly develop the FSX to replace the ageing F-16.

In the negotiations, there was a bid by the Japanese military-industrial complex to go it alone, but, peerless though it may be as an industrial lobbyist with its own government, it has traditionally been a touch diffident on military matters. In reality, it was inevitable that Japan would do what the US wanted, which was very likely to be co-development (as with the F-16).

Japan may need the US, but the reverse is also true – more than at any time in the post-war years

Problems occurred only when the new US Administration came in. Objections were raised by the secretary of commerce (Robert Mosbacher), the special trade representative (Carla Hills), as well as those on the far right in Congress (Jesse Helms) and the Democratic left (choose one of several) who have been gunning for Japan for some time. The pot was artfully stirred by some with knowledge of Japan (including Clyde Prestowitz, a former US government official) and warmed up by some prominent US publications.

Their thrust was that the FSX was the Trojan Horse which would one day enable Japan to do to Boeing what Matsushita and its confrères have done to the US consumer electronics industry. They added that, after the Toshiba affair, Japan could not be trusted and – for a price – would pass technology to the Russians, Chinese or anybody. Even more crudely, they suggested that a quick fix for reducing the bilateral trade deficit would be to compel Japan to buy existing US fighters off the shelf.

The Defence and State Departments countered hard – though the leadership vacuum at the former because of the Tower fiasco did not help. The Pentagon pointed out that the FSX, an uprated version of the F-16, would have minimal spin-off in commercial aerospace, but that the US would get to know more about sophisticated Japanese avionics.

The foreign policy establishment had its own concerns. The State Department does actually know something about internal Japanese affairs and was conscious of the fact that the present government in Tokyo, courtesy of the Recruit scandal, had seen its public support decline to single digit levels. Another hole in the head from Washington would not be welcome.

But Mr James Baker, the Secretary of State, is not very familiar with Japan – which probably explains why President Bush, showing all the inclinations of a cautious, or weak, president, took the matter under review, which is where it currently and unhappily rests.

It does not come naturally to say that the US Defence Department is right, but in this instance it surely is. It has a partnership with Japan which works well, and it considered the FSX deal, as originally negotiated, important to further the relationship. It would be in nobody's interest, certainly not the Pentagon's, to encourage, by the creation of an independent indigenous arms industry, Japanese entry into the weapons sale business – even if the Japanese constitution permitted it.

On the broader front, it is the question of partnership which ought to concern President Bush. For the fact remains that though Japan may need the US, the reverse is also true, probably more than at any time in the post-war years. This is not merely a recognition that, without Japan, the US would find it more difficult to finance its deficit, but a reflection of the fact that US leadership allied to Japanese financial and technological clout can do a lot for the rest of the world.

It is not as if Japan is about to wander off into somebody else's arms. It may be true that if Mr Mikhail Gorbachev stitches up his outstanding disputes with China next month, he will turn to Japan and propose resolution of the outstanding issue of the Kurile islands. He will also want to involve Japan more in the development of the Soviet economy and its natural resources.

But there is no geopolitical predisposition, nor any overwhelming commercial imperative inside Japan to move in the Soviet direction. If anything, the beneficiaries of Tokyo's discontent with the US are more likely to be the Japanese right than its feeble left. The emergence of the sort of nationalism which got Japan into the last war is to be avoided, at all reasonable costs. The way to do this is to treat Japan with the respect to which it is entitled and to make it see the wisdom of necessary accommodation with the outside world rather than making it compensate for American shortcomings.

Those in the US who are so afraid of the Japanese and their influence on the US economy, might do well to remember that the nation whose capital investment in the US far exceeded any other both last year and over the last five years, was not Japan but Britain. By this logic, Mr Bush ought to be treating Mrs Thatcher in the way that his current indecision suggests be is contemplating treating Japan. But such temerity is not evident in Washington. Not all of this lack can be put down to respect for the British Prime Minister.

FINANCIAL TIMES
Tuesday April 4 1989

Swapo pays heavy price for Namibian miscalculation

By Anthony Robinson in Oshakati

THE ARMOURED CARS returning to their Oshakati base from northern Namibia yesterday were filled with exultant bushmen soldiers, arms outstretched and fingers splayed in the victory salute.

These men of the 101 battalion are the cutting edge of Pretoria's violent reaction to what military men here see as an almost unbelievable blunder by rebel leaders. The troops were hastily re-mobilised over the last two days to counter an unprecedented and unexpected incursion by an estimated 1,200 armed Swapo (South West African People's Organisation) guerrillas.

The fighting continues unabated three days after the first guerrilla units crossed the border from Angola over a 400km-wide front on April 1; and Swapo fighters continue to cross the border and move south.

Chief Inspector Derrek Brune of the South West Africa Police (Swapol), speaking from the Oshakati base, said 2,000 para-military police – including many from the feared former Koevoet (crowbar) counter-insurgency unit, and backed by 600 bushmen from the 101 battalion – were hunting down an estimated 1,200 poorly equipped insurgents. The hunt is also being reinforced with helicopter gunships.

The extent of the incursion and the number of casualties are without precedent in the 23-year war aimed at ending South African rule in Namibia. By noon yesterday the death toll was 128 Swapo dead, four captured and between 80 to 100 wounded, said Inspector Brune.

He declined to give police casualties but a senior officer said unofficially that by mid-afternoon 137 Swapo fighters and 13 police had been killed in a series of bloody skirmishes.

Colonel Japie Dreyer of the South African defence force said the interrogation of captured guerrillas and seized documents, had shown that Swapo units were under orders to set up bases in liberated areas to influence the elections due under the United Nations supervised independence process.

"They are coming over the border in uniform, armed with offensive weapons including anti-tank guns, ground to air missiles and mortars. I simply cannot imagine how Swapo could think that we would allow them into Namibia with impunity."

The only visible presence of the UN transition assistance group (Untag) seen in the operational zone yesterday were two brand-new helicopters in a hanger at Ondangwa military airport and a bored Pakistani Captain monitoring comings and goings at the entrance of the Oshakati base, 30 miles further north.

Mr Pik Botha, the South African Foreign Minister, said in a letter to Mr Javier Perez de Cuellar, the UN secretary general, yesterday that guerrillas crossing the border were apparently told by their commanders that, as a ceasefire was in existence and South African forces were confined to barracks, they could rely on the UN forces to protect them if attacked.

If this is right, the operation, which military men here believe must have taken at least six weeks to prepare, represents a massive miscalculation by a Swapo leadership which for years was nurtured by the UN and treated as the sole and authentic representative of the Namibian people.

Under strong pressure from UK Prime Minister Margaret Thatcher and other Western leaders, Untag agreed to allow South African forces to leave their barracks and turn back Swapo's transgression of the painstakingly negotiated Namibian peace settlement signed in New York on December 22.

This means that the local para-military police and special counter-insurgency units are now physically destroying Swapo's military arm with the tacit blessing of UN officials who are unable either to monitor the slaughter which is taking place or intervene to stop it.

In Ovamboland it is clear that Swapo's almost suicidal incursion seriously threatens the credibility of both the organisation which was founded here and the UN which once championed it.

UN report, Page 4

Moscow to open business school

John Wyles and Quentin Peel look at a Soviet/Italian joint venture

OF ALL the international joint ventures being forged under the banner of perestroika, none seems more appropriate than Mirbis, the Soviet Union's first business school, due to open in October.

For if Mr Mikhail Gorbachev is to succeed in raising the quality of Soviet public administration and in introducing some market disciplines into the Soviet economy, managers must be taught how to manage.

This, among other things, is to be the task of Mirbis, set up as a 55 per cent Soviet, 45 per cent Italian joint venture last December with Nomisma, the Bologna-based research institute.

Prodi: helping Mirbis talks

Mirbis is a part answer to questions about what Professor Romano Prodi will be doing when he steps down this October as president of Iri, the big Italian state holding company.

Prof Prodi is one of the founders of Nomisma and has been gently helping along the Mirbis negotiations during his not-infrequent business trips to Moscow during the past 18 months.

He believes the Soviets chose an Italian partner "because we have long experience of running public companies and they are very interested in organising competition between public bodies."

It is by no means intended that Western involvement in Mirbis will be exclusively Italian. The visiting professors at the school's two centres – one is being built in Moscow and the other will be in Bologna – will be drawn from a variety of countries, as will the school's academic board.

This will be composed of about five Soviet officials, an equal number of Italians and one-third will be other foreign nationals.

The aim of Mirbis is to contribute not only towards a more efficient operation of Soviet industry within its own market, but also internationally.

"To compete on world markets with Western economies, the Soviet Union will have to aim for international competitiveness and acquire a deep knowledge of Western economic mechanisms," says Prof Prodi.

This educational process will, among other things, serve another of Mirbis's objectives, which is to train managers capable of taking leading roles in joint ventures between Soviet and Western companies. According to Prof Prodi, Soviet managers at the moment are "totally ignorant" of economic systems.

For Professor Vladimir Groshev, Rector of the Plekhanov Institute in Moscow and instigator of the idea in the Soviet capital, the primary aim is not so much to break down the gaping divide in business culture between East and West, but to educate Soviet managers in how to trade with Western markets – and Westerners on how to trade with the Soviet Union.

"Our (Plekhanov) school of managers is for our domestic purpose," Prof Groshev says. "Mirbis is international. It is not just for Soviet exporters, but to teach both sides about specific markets."

The students will consist of senior Soviet bureaucrats and company managers, together with young "high fliers" who will be at the beginning of their careers.

Mirbis's six-person board – three from the Soviet Union and three from Italy – have agreed that the teaching emphasis will be on economic and industrial management training and will be based on three types of courses:

- The "Master" course of 45 weeks for younger managers drawn from the bureaucracy and industry who are at an early stage of their careers. The first stage will admit 60 people who will be reduced to 40 after intensive training in English and information technology. These will then go on *to learn about organisation of* labour, regional development theory, industrial economics and production theories as well as international finance, marketing and management controls.
- The 10-week "Top Manager" course tailored for company managers and senior bureaucrats who cannot be spared for longer periods. This will include two weeks of experience abroad and two weeks on a practical exercise in the workplace.
- Short courses of four or five weeks designed to satisfy the specific requests of companies and state organisations which provide the students. The aim will be to teach the latest institutional and economic developments in the Soviet market and also foreign markets.

Prof Groshev is already aware of criticism at home that he is seeking to bring in Western concepts.

"The mentality of the people is not prepared for such concepts as 'management' and 'business'. Some people said we are dragging our students from their studies and giving them a Western view. But even the use of the words 'management' and 'business' in Russian is a beginning."

Prof Groshev is determined to attract only the best lecturers in the Soviet Union to the new courses – by paying big fees. It is unlikely, however, that a top Western management expert would be attracted by the offer of 75 roubles ($125) for two 45-minute lectures.

Then again, Prof Groshev admits his first big task is to educate the lecturers, not the students. "If I tell my colleagues in the West that we are creating this school to improve the level of knowledge of our professors, they would ask me what on earth I mean. But first of all, this school has to overcome this barrier, to clear the way, to a single world economy in the minds of our specialists."

It seems inevitable that, at least to begin with, there will be more interest from the Soviet managers involved in trade directly with Western partners rather than through a ministry. A big attraction will be the chance to serve practical periods in Western companies, which the school promises to set up.

Few details are being made public about the financing of Mirbis, whose income will be largely in roubles but whose costs will be substantially in foreign currencies.

In the first three years, it is hoped that substantial income can be derived from selling memberships in Mirbis to Western companies. The companies will then be given access to special seminars in Moscow and Bologna on economic, industrial and political developments in the Soviet Union.

In the longer term, it is planned that the venture will be self-financing through the sale of consultancy and research services, as well as through intensive Russian language training.

Airbus wins $2.2bn order from Cathay

By Michael Donne, Aerospace Correspondent, in London

AIRBUS Industrie, the European airliner manufacturing group, yesterday won another major order for its new A-330 twin-engined jet airliner. The deal, with Cathay Pacific Airways of Hong Kong, is worth a total of $2.2bn.

Cathay Pacific is to buy 10 aircraft with another 10 on option, including spares and support equipment.

The deal follows last week's $3.6bn deal with Trans World Airlines of the US for 20 of the medium-range, wide-bodied 300-plus seater jets, with another 20 on option.

The Cathay deal also provides the first overseas airline order for the new model "L" version of the Rolls-Royce RB-211-524 engine. With 67,500 lbs thrust, this is the most powerful jet engine yet developed.

The order follows the decision of Air Europe of the UK to buy the 524Ls for a fleet of McDonnell Douglas MD-11 tri-jets.

Assuming Cathay goes ahead with all 20 aircraft, the latest order could be worth more than $600m to Rolls-Royce over the life of the engines.

It is the first time Rolls-Royce has won an engine order in any type of Airbus, although International Aero Engines, the multinational consortium of which it is a member, has won orders for the V-2500 engine in the smaller A-320 short-to-medium range Airbus.

Rolls-Royce is also bidding with the 524L for the engine contract in the Trans World A-330s ordered last week.

Cathay said yesterday that the firm order for 10 A-330s was worth about $1.1bn. If options for 10 more aircraft were taken up, the entire package including product support would be worth $2.2bn between now and 1997.

The value of the entire deal to the UK will be eventually much greater, however, because as well as the Rolls-Royce engines, British Aerospace, which has a 20 per cent stake in Airbus, is building the wings for all A-330s as well as for other Airbus aircraft.

As a result, on engines and wings alone the British content of the A-330s for Cathay will be more than 50 per cent, but if systems and equipment provided by other UK-based suppliers is included over the life of the aircraft in service, the UK content will be higher.

Mr David Gledhill, chairman of Cathay, said the A-330 would replace existing Lockheed TriStars, and was the ideal aircraft for medium-range regional operations in the Asia-Pacific market.

In addition to the A-330 deal, Cathay has also updated its orders for long-range Boeing 747-400 jets, increasing its firm contract from five to six aircraft, with another 18 on option.

Lawson defends UK budget deficit at IMF

Continued from Page 1

In his speech to the Interim Committee, Mr Lawson acknowledged that Britain had experienced a rise in demand that was more pronounced than elsewhere. But monetary policy and fiscal policy had been tightened decisively and unequivocally.

Meanwhile, it emerged that the International Monetary Fund is not wholeheartedly in support of Mr Lawson's contention that a current account balance of payments deficit need present no problem if it is a private sector phenomenon in a nation running a large budget surplus.

Mr Jacob Frenkel, the IMF's chief economist, told a press conference that that in an interdependent world "we should not say that it's a non policy issue" *when some countries ran major imbalances just because they did not come from the public sector.*

Resignation sparks Chilean reshuffle

By Our Foreign Staff

MR HERNAN BUCHI, Chile's Finance Minister and the favourite to stand as conservative nominee in this year's presidential election, has resigned sparking a cabinet reshuffle.

President Augusto Pinochet then ordered the resignation of the entire 18-member Chilean cabinet.

Mr Buchi, who held the post for four years, is reckoned to be the strongest among the possible conservative candidates for the presidency. There has been a vocal and active campaign in Santiago promoting his candidacy.

General Pinochet, who has governed Chile since a bloody 1973 coup overthrew the Marxist Government of Salvador Allende, *is forbidden by the* constitution from running.

Gen Pinochet was forced to call the elections after losing a plebiscite last October when Chileans voted heavily against prolonging his rule for eight more years.

There was no immediate announcement about who would succeed Mr Buchi, whose free-market economic policies have won praise from the international financial community. But there is unlikely to be any departure from free market policies.

The opposition is expected to win the presidential election if it can unite behind a single candidate.

The favourite opposition candidate is Mr Patricio Aylwin a Christian Democrat leader who acted as opposition spokesman during the plebiscite campaign. But more moderate left parties have been promoting the candidacy of Mr Enrique Silva Cimma, president of the centrist Radical Party.

Dollar falls as G7 backs lower US currency

Continued from Page 1

seen as significant.

Mr Graham Turner, international economist at Warburg Securities, said: "The Bank of Japan intervention put the finishing touches in the G7 communique. It has been notably absent from the foreign exchange market and its intervention does serve as a pretty strong cap on the dollar." In London, the dollar closed at DM1.8820 against DM1.8940 on Friday and at Y132.05 compared with Y132.45 previously.

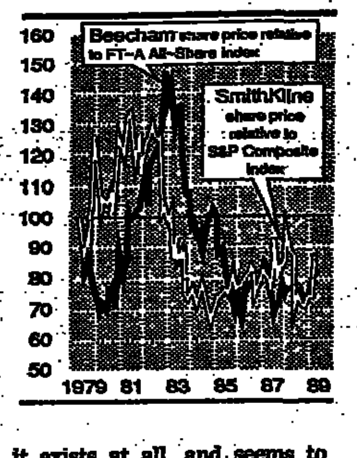
Meanwhile, sterling fell sharply on foreign exchanges after negative comment at the weekend. It was heavily sold in Far East markets before Europe began to trade yesterday and the Bank of England was forced to intervene three times to defend the pound.

The pound shed 2½ pfennigs to close at DM3.1725 but was stable against a weaker dollar at $1.6960.

THE LEX COLUMN

Beecham's cut-price prescription

Sterling has fallen by more than 3 per cent in the last couple of months, and if it is allowed to fall much more, questions must arise about the firmness of the Government's anti-inflationary policy. For the moment, yesterday's dip in global interest rates should help ease the pressure on the pound.



Beecham

The simple view of yesterday's sharp rise in both Beecham and SmithKline shares is that both companies have put themselves on the auction block. The alternative view is more subtle: that the proposed merger is really a disguised attempt by Beecham to acquire SmithKline on the cheap. Thus, the 4 per cent rise in Beecham's price reflects the chance that it might get away with it; the 9 per cent rise in SmithKline's reflects the greater likelihood that it will not.

The market's difficulty partly results from lack of information. The idea seems to be that SmithKline will split into two, with the pharmaceutical business going into the new merged company and the rest being sold on its shareholders' behalf. Beecham will put in its pharmaceuticals and those consumer brands which qualify as health products, selling off the rest, including cosmetics. Both sets of shareholders will then end up with shares in the world's third biggest drug company after Merck and Glaxo, and some cash or loan stock as well.

In drug industry terms, the fit is remarkable. Besides the usual cost savings, the two companies are opposites in terms of maturity. SmithKline spends $500m of Tagamet revenues annually on R&D, to very little purpose; while Beecham, with a budget a third the size, has more drugs in development than it can bring to the market. The snag is that at $65 a share, SmithKline is on only 14½ times prospective earnings, the same as Beecham; it is certainly worth more than that to somebody. Beecham included; the question is rather who can come up with $12bn or so for a cash offer. Now that the clock is ticking, there will be plenty of candidates busy on their sums.

Taurus

The cheap and cheerful Taurus 3 may be less efficient and less transparent than its predecessors; but the triumph is that it exists at all, and seems to have the backing of everyone who counts. A few months ago none of the various parties could see beyond their assorted self-interests, so the sight of them apparently acting together on behalf of the market as a whole is most encouraging.

However, the target of building the new settlement system by the middle of next year may underestimate the problems outstanding. The prototype approved by the Stock Exchange council yesterday contains blanks where many of the most important and contentious features should be. The question of how to obtain quick, full access to shareholder registers is a confused blur, the issue of weaning private investors off their share certificates remains; and it is still undecided who should own the system. In the new spirit of constructive compromise it should be possible to fill those blanks; and the fact that the Stock Exchange is aiming low - the new system only need match the old one in terms of transparency - can only help ensure that Taurus 3 does not follow Taurus 1 and 2 onto the scrap heap.

Blue Arrow

The best thing that can be said about the latest bad news from Blue Arrow is that the mystery £25m loan disclosed yesterday appears to have been made too late to be of interest to the DTI inspectors looking into the 1987 rights issue. But that apart, all the market knows about the loan is that Blue Arrow is urgently worried about getting it repaid. And the best one can say about that is that shareholders deserve a better explanation of how the company has managed to dig itself into this most recent hole - not to mention some information on who actually did the digging.

Whether the responsibility lies with the old regime or the new, shareholders are faced with the unhappy prospect that getting on for a third of this year's profits may have been put at risk. And however enticing the suggestion from fellow shareholder Michael Ashcroft of a bid approach at 20 per cent above the current share price, it seems clear that if there ever was an offer on the table, it is a matter of only academic interest now.

As for the share price, yesterday's shenanigans seemed to have entertainment value but little else. When all is said and done about phantom bidders and mystery borrowers, the reality is that Blue Arrow shareholders are stuck with the long wait for better days ahead. There was certainly nothing in yesterday's events to bring those any closer.

Bank capital

One of the headaches for a modern bank regulator is that the more detailed the rules and regulations for bank capital, the greater the incentive for banks to come up with ways of bending the rules. This is the only way of explaining the rather embarrassing affair of the Royal Bank of Scotland's $400m issue (or rather non-issue) of perpetual loan capital. Neither the Bank of England, which changed its mind along the way, nor the bank, which drew a veil of secrecy over the mechanics of the proposed instrument, emerges from the affair particularly well.

Given that its main Scottish rival had come up with an innovative way of boosting its Tier 1 capital only a month before, there may have been an element of one-upmanship in the speed with which the Royal Bank produced a novel way of raising its upper case Tier 2 capital. Anything which makes a maturing bond look perpetual was bound to be rather risqué; and when a bank slaps a proprietary tag on the idea, there can be little sympathy when it goes wrong, since no one was able to understand it in the first place.

As for the Bank of England, it seems to have been remarkably indecisive. It should never have given its agreement in principle in the first place, until the ground rules were clear. Perhaps it was bowing to pressure from the French, who cannot have been happy at the ease with which UK banks were permitted to transfer property revaluations into Tier 1 capital.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio		–	–	Dubrovnik	S	18	64	Malta	S	19	66	Rhodes	S	18	64
Algiers	S	21	70	Edinburgh	C	5	41	Manchester	F	6	43	Rio de J'o	F	36	96
Amsterdam	S	6	43	Faro	F	12	54	Manila	C	33	91	Rome	R	14	57
Athens	S	18	64	Florence	R	14	57	Melbourne	F	21	70	Salzburg	C	8	46
Bahrain	S	23	73	Frankfurt	C	3	37	Mexico City	C	23	73	San Francisco	F	11	52
Bangkok	F	34	93	Funchal	F	15	59	Miami	S	23	73	Seoul	S	17	63
Barcelona	F	16	61	Geneva	C	11	52	Milan	C	17	63	Singapore		–	–
Beirut		–	–	Gibraltar	F	11	52	Montreal	C	5	41	Stockholm	F	0	32
Belfast	F	5	41	Glasgow	F	5	41	Moscow	Sn	1	34	Strasbourg	C	9	48
Belgrade	S	20	68	Guernsey	S	9	48	Munich	C	6	43	Sydney	R	22	72
Berlin	F	4	39	Helsinki	S	2	36	Nairobi		–	–	Taipei	C	20	68
Biarritz	F	11	52	H. Kong		–	–	Naples	C	17	63	Tangier		–	–
Bombay	S	31	88	Innsbruck	F	16	61	Nassau	C	29	84	Tel Aviv	S	24	75
Bordeaux	C	11		Inverness	–	–	43	New Delhi	S	27	81	Tenerife	F	21	70
Brussels	C	5	41	Islamabad	F	25	77	New York	R	7	45	Tokyo	R	14	57
Budapest	R	5	41	Istanbul	S	20	68	Nice	R	14	57	Toronto	R	5	41
B. Aires	F	21	69	Jakarta	C	32	90	Nicosia	S	22	72	Tunis	S	27	81
Cairo	S	26	79	Jersey	F	10	50	Oporto	C	8	46	Valencia	F	16	61
Cape Town	S	22	72	Jo'burg	F	22	72	Oslo	F	6	43	Venice	C	17	63
Caracas	F	26	79	Lima	F	26	79	Paris	F	9	48	Vienna	Dr	5	41
Casablanca	C	14	57	Lisbon	F	7	45	Peking	S	19	66	Warsaw	C	3	37
Chicago	C	6	43	London	C	7	45	Prague	F	4	39	Washington	R	9	48
Cologne	C	5	41	Los Angeles	F	14	57	Reykjavik	F	-1	30	Zurich	C	11	52
Copenhagen	S	1	34	Luxembourg	C	3	37								
Corfu	S	21	70	Madrid	R	5	41								
Dallas	C	21	70	Majorca	F	19	66								
Dublin	C	6	43	Malaga	F	14	57								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Recruit disrupts Japan's government

Continued from Page 1

lose credibility if the Government did not pass the budget and implement its huge overseas aid commitments.

Most government leaders are more worried about the drastic decline of their popularity in recent weeks.

According to one poll published last week, only 5 per cent of the people support the Takeshita Cabinet. According to another, two-thirds of the people would like to see the Diet dissolved and a general election held.

However, as so often in the past in Japanese politics, the situation could change very quickly. Analysts expect that the Recruit prosecutors, who have already arrested 13 businessmen and government officials on bribery charges, will complete their questioning of politicians within the next two weeks. Then, whether or not they arrest more people, the inquiry will end.

At about the same time, the Government's April 21 deadline for passing the budget will arrive. Last weekend, LDP leaders served notice that they were prepared to use their majority – something seldom done in Japan – to push the budget through if the Opposition parties persisted in boycotting the Diet.

However, the LDP majority in the upper house is under threat. Mr Shin Kanemaru, an LDP politician and Mr Takeshita's mentor, *said on Friday* that if the LDP did not maintain its majority, Mr Takeshita and his Cabinet would have to resign.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday April 4 1989

INSIDE

The mouse that roared at MGM

Is he adroit, unpredictable, or simply mercurial? This is the teasing question being asked about 40-year-old Australian entrepreneur Christopher Skase after his relatively small Qintex group sewed up a complex US$1bn deal to buy MGM/UA Communications, the Hollywood film corporation. Chris Sherwell looks at the coup which has brought one of the world's biggest studios and film libraries, the largest home video company and the largest distributor of theatrical films into the hands of the debonair Skase. **Page 27**

Blot on the landscape

Britain's farmland is looking particularly green and pleasant following the mild winter and early spring. The lambs are doing well and arable crops are making a good show. But this year's weather has also allowed pests and diseases to thrive, so many farmers face heavy pesticide and fungicide bills in the spring and summer as they struggle to protect their crops from the ravages of bugs and viruses. **Page 38**

Let the good times roll

There are more smiles about these days in the world ball and roller bearing industry. After several years of grim, competitive struggles and deeply depressed prices, this $14bn-a-year business is enjoying something of a revival. Nick Garnett explains why. **Page 28**

Tokyo and Wall St spring to life

International equities enjoyed their best week of the year last week as stock markets in Japan and the US sprang into life. The week began slowly, with investors trickling back from the Easter break. But by Tuesday Japan was jumping. The Nikkei average surged by 1.2 per cent — its largest rise since January 1988 — and hit new highs daily for the rest of the week. And Japan's jubilance proved a boon for Wall Street, where trading remained rather thin. **Page 48**

Benetton hit by US sales slump

Benetton, the leading Italian casual clothes producer, has paid dearly for a steep drop in US sales during the opening months last year. As a result, profit margins were squeezed in 1988 and net earnings were just about maintained at the previous year's L130bn ($93.8m). Aldo Palmeri, managing director, said that sales of women's clothing in the US dropped by as much as 45 per cent during early 1988. Some 700 of Benetton's world-wide chain of 5,000 shops are located in the US. **Page 26**

Market Statistics

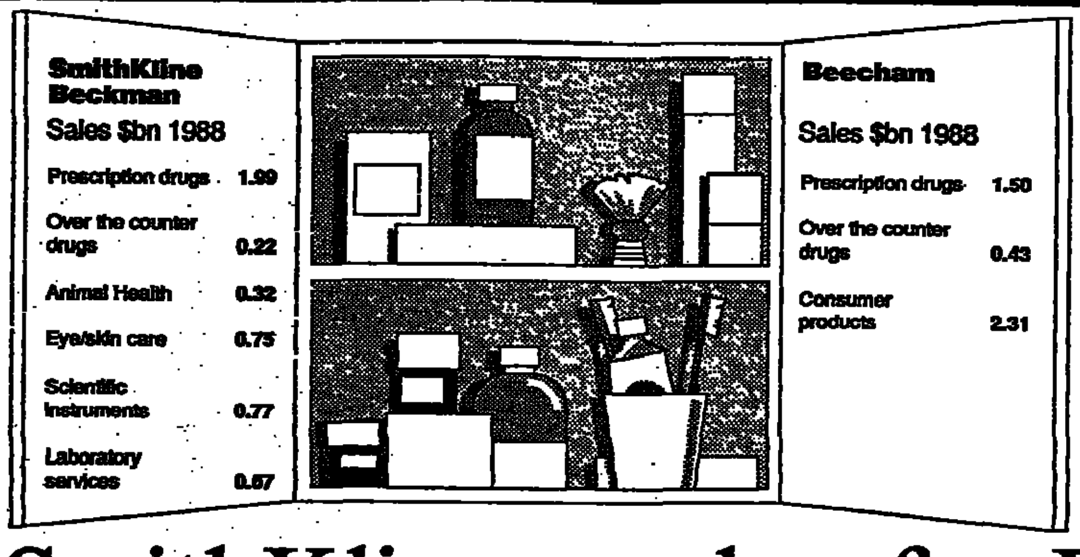
Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Mannesmann	243	+	9.7
MAN	270	+	9
Viag	271	+	8.5
RWE	248	+	6.5
Deutsche Bank	529.5	+	13.5
NEW YORK ($)			
Rises			
Carson Pirie S	21¼	+	7⅞
Lockheed	49½	+	2⅜
MCA	55½	+	3⅜
SmithKline Beck	65⅝	+	4½
Tribune	47⅝	+	3⅝
Falls			
Citizens & Sthn	34⅞	–	1½
PARIS (FFr)			
Rises			
SGE	290	+	30
UFB-Locabail	412	+	28
BSN	524	+	36
Dassault Aviation	374	+	25
Falls			
SAT	705	–	28.2
Avions Dassault	889	–	19
TOKYO (Yen)			
Rises			
Shin-Etsu Chem	2280	+	300
Daiichi Seiyaku	2940	+	350
Sankyo	2090	+	290
Falls			
Yomiuri Land	2100	–	190
Chubu Elec Pwr	4000	–	330
Dowa Kaihatsu	1590	–	130

New York prices at 12.30.

LONDON (Pence)			
Rises			
A&M	489	+	29
BAT Inds	675	+	11½
Beecham	619	+	25
Blue Circle	549	+	14
Fisons	297	+	16
Jessups	195	+	20
Keep Trust	485	+	28
Kingfisher	273	+	9
Pearson	715	+	14
P & O Defd	654xd	+	9
Redland	526	+	10
Reed Intl.	418	+	11
Scot & Newcastle	316	+	9
Sev'field Reso.	124	+	5
Steetley	425	+	16
Sumner Intl	99	+	7
Ultramar	297	+	10
Williams (J)	69	+	4
Falls			
Dixons	166	–	3½
Lonrho	323	–	6
Rosehaugh	688	–	12
Utd Newspapers	455	–	9
Whitney Mack. L	102	–	8



Bob Bauman: expected to be in the driving seat should a combined group result from the merger talks

SmithKline reaches for Beecham powder

Peter Marsh on the logic behind a partial merger between the pharmaceuticals groups

"IT'S not the best possibility but it's a good fit for both companies." That was the view from one Wall Street analyst yesterday of the possible partial merger between SmithKline Beckman of the US and Britain's Beecham, a move which would create one of the world's biggest pharmaceutical groups.

This sort of combination would attack several key business difficulties for both companies. It would also fit in with the general moves in the world's $120bn-a-year (£71bn) drugs industry towards the formation of larger companies which can gain economies of scale in research and development and marketing – two important, and expensive, aspects in the sector.

SmithKline and Beecham said at the weekend they were talking about a merger of "the major parts" of their businesses. Neither was yesterday prepared to comment on the details of these talks nor on what parts of their commercial operations would figure in any new group.

It was thought, however, that the entity which both SmithKline and Beecham have in mind would encompass the prescription-drugs businesses of both groups with Beecham's consumer-products activities tagged on.

That would produce a company with combined annual pharmaceutical sales, counting prescription-only drugs and also over-the-counter medicines available through retail outlets, of about $4bn a year.

On this basis the new merged company would have sales about $1bn less than those of Merck, the US company, the world's biggest drugs group, and of roughly the same order as Britain's Glaxo, the number two in the pharmaceutical business.

SmithKline and Beecham are now ranked roughly 12th and 20th in the world's league table of pharmaceutical companies.

A headache for any new group that emerges might, however, be how it sorts out what many analysts see as entrenched management problems at SmithKline, which last year recorded pre-tax earnings of $308m on sales of $4.75bn. The company was in the late 1970s among the world's top pharmaceutical groups, largely due to sales of its best-selling Tagamet anti-ulcer drug.

But despite a $300m-a-year R&D programme, SmithKline has found it difficult to find a successor to Tagamet.

Tagamet sales have suffered owing to a challenge from Zantac, a rival anti-ulcer product made by Glaxo and which is the world's biggest selling drug with annual sales of more than $2bn.

Recently, the US company's profits have slipped and Wall Street analysts have become disenchanted with Mr Henry Wendt, SmithKline's chairman, and his fellow executives.

Some observers say a full-scale takeover of SmithKline – rather an agreed merger – might be the best way to shake up the group, although this would undoubtedly lead to a large-scale rupture of the company.

A takeover of this kind, or at least a series of contested bids, could still emerge. According to Mr Steve Buell, an analyst at Kidder, Peabody, a New York investment bank, the merger talks could prod rival pharmaceutical businesses which have been rumoured to be interested in bidding for the US company.

Groups thought to be weighing up this possibility include Switzerland's Hoffmann-La Roche, Rhône-Poulenc of France and the US's Bristol-Myers.

Certainly Wall Street yesterday seemed to think that a bidding battle for SmithKline might emerge. The company's price rose sharply on early trading to reach $65 by mid morning, up about $5.

One New York trader said he thought the shares could reach $75 in anticipation of a bid. In London, Beecham's share price closed last night at 619p, up 25p.

Though SmithKline's traumas in recent years have been particularly severe, they to some degree looked similar to those suffered by Beecham in the early 1980s when it lost its way through ill-conceived diversification moves and a lacklustre performance in its core pharmaceutical operations. Since then, however, the company's fortunes have improved.

After a boardroom coup in 1985, and the removal of several of the company's top executives, Beecham employed as chairman Mr Bob Bauman, an American whose background was in marketing.

Mr Bauman, has succeeded in selling many of Beecham's peripheral businesses and shaking up senior staff, in the process improving morale.

In 1988 the company turned in a taxable profit of £406m on sales of £2.48bn and many analysts expect this figure to increase to more than £450m for the current year.

In any merger which results from the current talks Mr Bauman – who at 58 is three years older than Mr Wendt although he looks younger than the SmithKline boss – would be expected to be in the driving seat. It is thought he would become chief executive of the combined group leaving Mr Wendt in a supervisory capacity as group chairman.

Analysts yesterday had mixed feelings about the size of the management job Mr Bauman might have to undertake at turning SmithKline round. "He would be buying big problems, and they are getting worse," said Mr Buell.

But Mr Robin Gilbert, an analyst at James Capel, a London stockbroker, thinks that Mr Bauman is up to challenge. "Bauman has shown he is adept at raising morale and redirecting management," he said.

Specific benefits for Beecham which might arise from any deal include an enhanced worldwide marketing capability.

A merged group could it is thought cut costs by shedding staff. Mr Sam Isaly, an analyst at the New York office of Warburg Securities, a stockbroking firm, said he thought a merged company could easily cut its payroll by 10,000 from the 70,000 now employed by the two groups.

Neither company would say yesterday what it had in mind for the non-drug components of each side's operations. But it is thought a combined company could gain up to $3bn by selling peripheral parts.

Beecham's cosmetics subsidiary might not fit in with any new arrangements but it is thought that any new group might keep the UK company's consumer goods operations.

Pickens emerges as the biggest shareholder in Koito of Japan

By Anatole Kaletsky in New York and Michiyo Nakamoto in Tokyo

MR T. BOONE Pickens, the Texas corporate raider, yesterday made an unexpected intervention in the Tokyo stock market, announcing that he had become the biggest shareholder in Koito Manufacturing, Japan's leading automotive lighting company and a close affiliate of Toyota Motor.

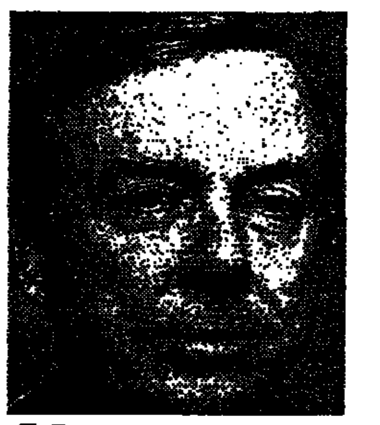
Mr Pickens said that Boone Co, a private investment partnership which he controls, had acquired 32.4m shares, or 20.2 per cent of Koito's common stock, an investment worth around Y155bn ($1.2bn) at current market prices.

The holding puts Boone on the Koito share register ahead of Toyota, which owns 19 per cent. It also plunges Mr Pickens into the midst of a long-running "greenmail" battle in which groups of Japanese speculators have been accumulating unwelcome stakes in Koito.

Although hostile takeover bids remain almost unheard-of within the Japanese market, greenmailers commonly buy shares they hope target companies will repurchase at inflated prices.

Koito said it knew nothing about Boone's intentions and could not say whether the US group had acquired the shares as an investment or for other reasons. The company became aware of the holding when share transfers were registered at the end of Koito's business year last Friday.

On Wall Street, Boone's disclosure astonished analysts who followed the activities of Mr Pickens and his main corporate vehicle, Mesa Limited Partnership. Mr Pickens, who was one of the pioneers of highly profitable takeover speculation in the US oil industry, has recently been regarded with less reverence after the quick collapse of many more recent forays.



T. Boone Pickens

Wall Street analysts thought it unlikely that Mr Pickens could, on his own, have raised the capital required to buy the Koito stake.

Stock market traders in Tokyo said Boone had either bought its shares from one or more groups of such speculators or else had lent its name to these groups in order for them to dramatise their activities.

However, Mr Sidney Tassin, a Boone official, pointed out that the company was a private investment group unrelated to Mesa. He said Boone was the beneficial owner of the Koito shares but refused any further comment on the group's stake or how it was financed.

Boone, described as an investment advisory concern, has been publicly identified with two previous transactions – an offer to help United Airlines' pilots buy the airline in 1987 and a similar putative bid by the pilots' union for Eastern Airlines last year.

Tokyo analysts believe the Japanese speculators, anxious to realise gains from their shareholdings, approached Boone in order to put pressure on Toyota, which has previously saved another affiliate from greenmailers. However, Toyota has said it is not prepared to buy back Koito shares at current market levels.

Koito's shares began rising sharply in August 1987 from Y650, when the Azabu group began buying shares, to Y5,090 on Friday after rising 26 per cent on the week. However, they lost about 8 per cent yesterday to close at Y4,680.

The fall came partly as a result of a move by the Tokyo Stock Exchange to dampen activity in Koito shares by tightening margin trading requirements.

Strong profit increases for Pearson and Elsevier after share swap deal

By Our Financial Staff

TWO European publishing groups, Pearson of the UK and the Dutch Elsevier company, yesterday announced healthy profit increases for 1988. The two companies linked together in a share swap deal last September.

At Pearson, the publishing, banking and industrial conglomerate which own the Financial Times, pre-tax profits were up by 31 per cent to £198.9m. Earnings per share rose by 19 per cent to 55.7p, and dividends increased by 20 per cent.

Meanwhile, at the Dutch group itself, net income rose from Fl 163.2m to Fl 235.5m, with growth coming across all divisions.

Pearson results, Page 31; Elsevier results, Page 26

Blue Arrow reveals £25m loan

By Vanessa Houlder

BLUE ARROW of Britain, the world's largest employment agency and a company dogged by controversy, yesterday surprised the City of London afresh by disclosing the existence of a mysterious £25m loan which it was trying to recover. At the same time, one of its main shareholders claimed the company had received a tentative bid approach.

The revelations came at a heated two-hour annual general meeting at London's Savoy Hotel.

Blue Arrow first aroused controversy when it acquired Manpower, the much larger US employment group then headed by Mr Mitchell Fromstein, in 1987. The British Government is now investigating the role of County NatWest, Blue Arrow's adviser, in a share placing which accompanied the deal.

This was the first shareholders' meeting since a series of boardroom putsches resulted first in the removal of Mr Fromstein as a member and then in the removal of Mr Tony Berry as chief executive. He has been replaced by Mr Fromstein.

Blue Arrow , announcing the mystery loan yesterday, refused to disclose to whom the money was lent. It said it was reviewing the recoverability of the loan: "The board is negotiating ways of bringing forward the repayment as a matter of urgency."

The meeting was also notable for the refusal to re-elect Mr John Sharkey as a non-executive director. This followed the disclosure that he had been paid £220,000 to relinquish his executive responsibilities.

Questioning by shareholders failed to elicit any details of the loan, which first came to light after questioning by Mr Michael Ashcroft, chairman of ADT international services group.

Mr Ashcroft and his Bermuda-based company hold a 5 per cent shareholding in Blue Arrow. He is a personal friend of Mr Berry, now the chairman, who was also chief executive until directors stripped him of his executive duties in January.

Following the meeting, Mr Bruce Gray, company secretary, said the loan had been made after the balance sheet date of October 31. Mr Berry said he was not the recipient of the loan.

Questions were also raised about bid approaches received by the company. Mr Ashcroft said he understood there had been an offer ranging from 110p to 120p: "I believe that a firm offer has been made and it should be taken more seriously than it is. Mr Fromstein denied that there had been any serious offers.

Yesterday, the share price closed at 91.5p, up 2p.

Lex, Page 24

Royal Bank postpones $400m debt/equity offering

By Norma Cohen in London

ROYAL BANK of Scotland said yesterday it had been forced to postpone a novel offering of $400m of hybrid debt/equity notes announced last December, because international bank regulators had been unable to agree on what category of bank capital the proceeds would fall into.

The Bank of England said it had initially agreed with RBS that proceeds should count as so-called upper case Tier 2 capital. However, after a meeting of members of the Bank for International Settlements last month, regulators agreed that the entire question of how to count proceeds of hybrid debt/equity instruments should be reviewed. As a result, the Bank of England last week informed RBS that it could no longer be assured that its own securities would fall into the desired category.

The move is the latest of a series of disagreements that international bank regulators have had over how to apply the nuts and bolts of a wide-ranging agreement on capital adequacy designed to ensure that banks in the world's leading industrialised countries all meet the same standards and are equally well protected against risk.

Last December, BIS members raised objections to securities announced by France's state-owned Credit Lyonnais and Banque Nationale de Paris, both of which had planned to count proceeds as Tier 1 core capital. The issues have been postponed. Initially, The Bank of France had agreed with its banks on the categorisation but was forced to reconsider after a meeting last December when a majority of other BIS members objected.

Bank regulators then agreed to study the matter further with a final decision to be made last month. However, the matter has apparently proved more contentious.

At issue in the case of RBS's securities is whether or not the notes can be said to be truly "perpetual" – never maturing. While Tier 1 capital consists solely of paid-up share capital and disclosed reserves, Tier 2 has two parts. The upper level consists of undisclosed and revaluation reserves, general loan loss reserves and perpetual loan capital. The lower level consists solely of subordinated dated debt.

Peter O'Connell, group chief executive of RBS said that the bank had more than enough lower Tier 2 capital for future growth and that it was unlikely to proceed with the issue unless the securities attained the higher rating.

AT&T to lift stake in Dutch joint venture with Philips

By **Alan Friedman** in Milan and **Laura Raun** in Amsterdam

AMERICAN Telephone & Telegraph (AT&T), the US telecommunications group, is to enlarge its stake in its Dutch-based telecommunications joint venture with Philips.

AT&T will increase its holding in Network Systems International (NSI), the joint venture it formed with Philips in 1984, from 60 per cent to 85 per cent by buying shares from its partner.

The US group did not disclose yesterday how much it is paying to buy the additional 25 per cent stake. Both AT&T and Philips limited themselves to saying the deal reflected their "interest in facilitating the addition of other European partners to NSI."

It is believed that this is a reference to plans for AT&T to eventually sell around 25 per cent of NSI to Italy's Stet as part of the AT&T-Italtel alliance now being finalised.

While Stet will become a shareholder in NSI, it is also likely that AT&T will in exchange acquire a minority holding in Italtel, the Stet subsidiary which is Italy's largest telecommunications manufacturer.

For Philips the further scaling down of its shareholding in NSI from 40 per cent to 15 per cent – originally NSI was a 50:50 joint venture – reflects ongoing efforts to reduce activities in non-core businesses such as public switching.

NSI had 1988 sales of around $600m and broke into the black for the first time in 1988 with an undisclosed profit.

When it was first established NSI was designed to allow AT&T to obtain a foothold in the European telecommunications market. Philips originally saw the deal as a way of more efficiently exploiting its own potential in the market.

Toshiba, the Japanese electronics group, has acquired a majority stake in Espanola de Microordenadors, a Spanish distributor of laptop computers, and has set up a wholly-owned Spanish unit to market communications equipment, Reuters reports. The new unit is based in Barcelona and has a sales target of Pta6bn ($51m) by 1991.

Benetton profits hit by slide in US sales

By **Alan Friedman** in Milan

BENETTON, the leading Italian casual clothes producer, said yesterday that profits had been hit by a steep drop in US sales during the opening months of last year.

As a result, profit margins were squeezed in 1988 and net earnings were just about maintained at the previous year's level of L130bn ($93.8m). Group turnover rose 17 per cent to L1,475bn.

Mr Aldo Palmeri, managing director of Benetton, said that sales of women's clothing in the US dropped by as much as 45 per cent in the early part of last year. Some 700 of Benetton's 5,000 shops worldwide are located in the US.

Mr Palmeri said that a fall in consumer demand meant last year was difficult for Benetton in other parts of the world, too. The chain, he said, "pursued an aggressive policy on the price front, cutting our margins in order to keep market share." He said there were now signs of an improving sales trend in the US.

Benetton's total debt increased to L303bn last year from L209bn in 1987. The total number of garments sold rose to 58m from 52.6m in 1987.

Mr Palmeri said Benetton's present strategy called for significant continuing expansion in the Far East and especially in Japan. The group has 300 outlets there and expects this number to rise above 400 by year-end. He also forecast expansion in Spain, where there are already 200 outlets.

In the US Benetton is planning to strengthen its management and reorganise its distribution and retail network to eliminate uneconomic structures and maximise profitability. Mr Palmeri said there had been no further developments in the various legal actions lodged last year against Benetton by ex-retailers who felt cheated by the Italian company's US agents.

Benetton is 87.5 per cent owned by Edizione, the Benetton family's private holding vehicle. A multiple tranche share offer beginning this summer is expected to raise up to L200bn from international investors.

Dutch publisher raises net earnings by 44%

By **Laura Raun** in Amsterdam

ELSEVIER, the Netherlands' third largest publisher, has boosted 1988 earnings by 44 per cent, thanks largely to associated companies and investments. The company, in which Pearson, the UK industrial, financial and publishing group, has a 22.7 per cent holding, is increasing dividend by 22 per cent to Fl 1.40 a share.

As a result of cross-shareholdings, Elsevier has a stake of more than 8 per cent in Pearson. This yielded an equivalent slice of its healthy 1988 earnings, the company said.

Elsevier also benefited from its one-third ownership of Wolters Kluwer, a larger Dutch rival which increased its dividend for 1988.

Continuing its rapid growth of recent years Elsevier predicted per share earnings would climb another 20 per cent in 1989. It is the world's largest publisher of scientific journals and a leading publisher of Dutch newspapers and magazines.

Net income soared to Fl 235.5m ($110.5m) in 1988 from Fl 163.2m the year before on growth across the full range of Elsevier's divisions. Per share profits rose 21 per cent to Fl 3.70 on a 19 per cent rise in shares outstanding following the share swap with Pearson.

Operating income increased 17 per cent to Fl 280m while income from associated companies and investments rose nearly fivefold to Fl 43.6m from Fl 9.1m. Revenue improved by 11 per cent to Fl 1.63bn last year from Fl 1.47bn in 1987.

Bearings makers let the good times roll

Nick Garnett on the way an engineering component industry is rapidly recovering

Smiles are at last breaking out among managers in one of the biggest but least trumpeted of the world's engineering component industries. After several years of grim, competitive struggles and deeply depressed prices, the $15bn ball and roller bearing industry is enjoying a breathing space.

Prices have lately been rising fast. Within the past six months, they have jumped 7 per cent in Europe. In the US, they are up by between 12 and 15 per cent since last summer and more than double that for some specialist bearings. In Japan last year, actual demand for bearings rose 25 per cent.

World demand is rising at around 4 per cent a year. Factories are mostly working flat out. The US Department of Commerce last November turned down a call from domestic producers for import duties. Factories were operating at almost 100 per cent capacity so there was no justification for intervening, the department said.

The strong trading conditions are filtering through into company profits. SKF of Sweden, which has 20 per cent of the world market, last month reported a 32 per cent increase in 1988 pre-tax profits. United Precision, the largest UK-owned bearing company, recorded a two-thirds improvement in profits for last year on a 10 per cent sales growth.

However, this picture of harmonious trading masks structural shifts and changes which are unsettling the bearings industry. Small companies are being gobbled up and some medium-sized ones have gone under. This is tending to increase the concentration of power among a handful of big suppliers. Around half of world sales are controlled by just four companies.

After SKF, three producers, NSK of Japan, FAG of Germany and NTN of Japan each have a 10 per cent to 12 per cent share of the world market. But the Japanese in particular have been consolidating their sales in Europe and North America and adding significantly to their production capacity in the US and Europe. Purchases of existing US and European companies, though, have been few and far between.

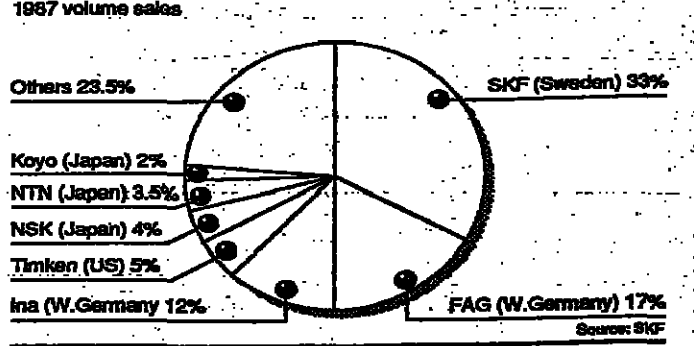
Meanwhile, trade wars between suppliers are still being pursued through legal channels, with new anti-dumping investigations underway in the European Community and the US. Imposition of preliminary duties in North America and soaring demand there have encouraged some European producers to transplant capacity across the Atlantic.

Producers have also been forced to contend with a shift in product demand, with growth of ball bearings at the expense of some types of roller bearings and an explosion in demand for miniature bearings used in electronic products.

The past few years have witnessed a partial restructuring in company ownership. SKF last year bought the bearings division of the Steyr group in Austria. It also purchased Ampep, a small bearings maker in the UK, and Ganflor, an Italian producer of bearings for machine tools. The previous year it acquired MRC, the bearings division of the TWR group in the US.

European bearings market

1987 volume sales



Source: SKF

Both Ampep and MRC make bearings for aircraft, a major growth sector. The Steyr acquisition increased SKF's penetration of the Eastern European market. Partly as a result of the acquisitions, SKF says its European market share has risen to more than 35 per cent.

The UK bearings industry has gone through a significant ownership restructuring. RHP, the biggest producer, got out of the bearings business at end-1987, selling the operation in a management buy-in. The new company, United Precision, has retained the RHP name.

APV, the large UK food and drink equipment group, also got out of the sector in the same year, selling its Rose Bearings division to Minebea, the aggressive Japanese maker of miniature bearings. This followed the sale of Cooper Bearings to an investor group.

Europe now has a concentration of big domestic producers. SKF, FAG and Ina together had 62 per cent of the European market (more than 70 per cent in West Germany) in 1987, with the US company, Timken, taking another 5 per cent.

In contrast, the US bearings industry is much more fragmented but there has been some concentration there, too.

Torrington, which claims to be America's biggest broad line producer, purchased Fafnir from the Textron group in 1985 and is only just coming to the end of a difficult digestion period. It merged Fafnir with its heavy bearings division, involving the closure of two plants and the reorganisation of two others.

Two years after Textron dropped out of bearings, TWR followed with its sale of MCR to SKF. Further reshufflings included the decision of New Departure Hyatt to get out of industrial bearings. It sold its production equipment to Torrington, retaining its automotive bearings operations.

These changes have reinforced the global nature of the industry. NSK has 14 bearings plants worldwide. SKF has 45.

Japanese companies that dominate their domestic market have been tackling North America and Europe in several ways. There were some early acquisitions. Minebea bought New Hampshire in the US in 1984 and NTN acquired the Bower bearings division from Federal Mogul in 1985. Apart from Minebea's purchase of Rose, however, acquisitions have been few in number.

Instead, Japanese companies have been exporting direct from Japan – and from plants in Thailand – and raising production from their greenfield sites. NTN has manufactured in West Germany since the early 1970s. NSK has three production plants in the US and one in Europe. The latter plant, at Peterlee, in England, has been the subject of recent heavy investment. This has included a joint project with AKS, the Japanese company, to manufacture the actual balls.

Japanese companies were estimated to have about 12 per cent of the European market in 1985 and this appears to have risen a little.

Dumping duties in the US – preliminarily set at 56 per cent last year against producers in nine countries – and booming US demand has led to new investment in North America. "We are stripping out production lines in Europe and shipping them to the US," says SKF.

Lansing takeover helps boost Linde turnover 30%

By **Andrew Fisher** in Frankfurt

LINDE, the West German industrial group which has just bought Lansing Bagnall, the UK forklift truck company, has performed better in the first two months of 1989 than was expected at the turn of the year, Mr Hans Meinhardt, the chairman, said.

He also expressed confidence that Linde would win its appeal against the Federal Cartel Office's decision to disallow the takeover of Lansing's German activities. He described it as "anachronistic" and "hard to understand" at a time when companies were being urged to prepare for the European Community internal market.

Linde's total world group turnover in January and February was 30 per cent higher at DM745m ($403m), with the order inflow up by 45 per cent at DM987m. These figures include Lansing: at the domestic group alone turnover advanced by 11.5 per cent to DM483m and the order intake by 30 per cent to DM700m.

"Turnover and orders in the domestic group are well over the budgeted level," he added. While these would not keep rising at the same rate over the whole year, he said that Linde, whose activities also cover industrial gases, industrial plant construction, and refrigeration, expected "another successful year."

The group has already reported a 7 per cent increase in net profits of its domestic group to DM126m and intends to raise the dividend to DM13 a share from DM12.50. Turnover was 14 per cent higher at DM3.6bn. "None of us expected 1989 to be so good," said Mr Meinhardt. World group earnings per share rose by 9 per cent to DM41.50; initially, around DM40 had been expected. Linde is raising DM495m through a rights issue.

For the worldwide activities of Linde, Mr Meinhardt forecast turnover in 1989 of around DM5.4bn, or 15 per cent above the DM4.7bn of 1988. But profits would not rise by as much as this. Capital investments would rise from DM380m to over DM440m, roughly split between Germany and abroad.

Discussing the Cartel Office's decision to prohibit the purchase of Lansing GmbH, which employs some 400 and has a turnover of around DM100m, Mr Meinhardt said it would add only half a percentage point to Linde's share of the German market for counterbalance forklift trucks, which the company puts at 41 per cent and the Cartel Office at 50 per cent.

Linde has declined to say what price it paid for Lansing, but Mr Meinhardt said it was less than a year's turnover.

INTERNATIONAL COMPANIES AND FINANCE

A TV baron turns movie mogul

Chris Sherwell on Australian Christopher Skase's MGM/UA coup

Dustin Hoffman, left, and Tom Cruise in a scene from the Oscar-winning film Rain Man, produced by MGM/UA

Adroit, unpredictable, or simply mercurial? That was the question people were asking yesterday about Mr Christopher Skase, a 40-year-old Australian entrepreneur, following the weekend announcement from Los Angeles that his relatively small Qintex group had sewn up a complex US$1bn deal to buy MGM/UA Communications, the Hollywood film corporation.

No one outside Qintex – and few inside – had any idea he was negotiating with Mr Kirk Kerkorian to buy the renowned film group. Yet, after months of talks, he is to control one of the world's biggest studios and film libraries, the largest home video company and the largest distributor of theatrical films.

The reason the deal is a surprise is simple. For months the official line from Qintex had emphasised one basic theme, labelled several ways: consolidation, rationalisation, streamlining. Assets were being sold, debt was being reduced and the focus was on two core businesses – resorts and leisure; and media and entertainment.

However, like many businessmen, Mr Skase cannot resist wheeling and dealing and certainly not such an opportunity as the MGM/UA acquisition represents. He embarked on his business career 18 years ago, after working for two years as a reporter on the Australian Financial Review business daily.

His first move was to acquire the oddly named Qintex, then a Tasmanian shell company with a surplus of cash. Over the years, and helped by the share market boom of 1982-87, he bought and sold assets with a relish that carried him into retailing, jewellery, broadcasting, property and investment.

In the process he steadily cultivated an impression of elegance and glamour, both for himself through the way he dressed and for Qintex as it became increasingly involved in the leisure and entertainment businesses. Because of this and the complex paper shuffling, Australian investors and analysts have never been too sure what to make of him. Even now, many remain uncertain.

His most important moves have been made since 1985 and particularly over the past two years. A shift into the resorts business to capitalise on the Australian tourist boom culminated in 1987 with the opening of two sparkling Sheraton Mirage hotel, marina and condominium complexes in Queensland – one on the brassy Gold Coast near Brisbane, the other in Port Douglas, opposite the Great Barrier Reef.

Separately, a change in Australian media ownership regulations allowed him to buy, also in 1987, the metropolitan Channel Seven stations in Melbourne, Sydney and Brisbane from the Fairfax publishing house, and later two more in Adelaide and Perth from Bell Group. The resulting national grid he created was called, rather grandly, the Australian Television Network.

Since the stock market crash in October that year, Mr Skase has acted to avoid the fate of the less fortunate but similarly dashing antipodean entrepreneurs with whom he is often compared. In particular, he has sought to simplify the group's ungainly structure and reduce its burdensome debt.

Only this year has he made any notable headway. In a rush of activity he has sold off two Queensland regional television stations for A$110m (US$90.1m), raised A$51m through two private placements, disposed of a 38 per cent holding in Seaworld property trust for A$78m and, most important, sold 49 per cent of his Mirage resorts business to Mitsui & Co and Nippon Shinpan of Japan for A$443m.

Yet none of this has stopped him making other acquisitions. He bought the Princeville Hotel on the Hawaiian island of Kauai to turn into a third Mirage resort. He is now seeking sites for more in California and Florida. He also created the 42 per cent-owned Qintex Entertainment in the US to merge Hal Roach Studios in Los Angeles and Robert Halmi of New York.

This television production and distribution company, which recently produced the acclaimed Lonesome Dove mini-series for CBS in the US, is the vehicle for Mr Skase's latest, and perhaps most ambitious, purchase.

According to Qintex, MGM/UA will not add significantly to the Australian group's debt. Under the terms, the US$1bn cost of MGM/UA will be reduced to US$600m by three factors: the US$250m sale back to Mr Kerkorian of the MGM name, trademark, library and television production subsidiary; a US$75m injection by Mr Kerkorian of non-voting equity capital into Qintex in Australia; and a further US$75m in cash within the United Artists interests going to Mr Skase.

According to Qintex, half of this US$600m will be raised by Qintex Entertainment through a commercial borrowing within the US which does not involve its Australian interests. The other half is supposed to come from equity contributions.

Of the US$125m that will come from Qintex in Australia in order to avoid diluting its 42 per cent holding in Qintex Entertainment, the bulk will effectively derive from Mr Kerkorian's US$75m injection, and the rest is thought unlikely to impose a significant extra burden. However, Qintex Entertainment's other shareholders cannot be expected to raise easily the remaining equity contribution of US$175m.

It is therefore assumed that new participants will be found for the company – perhaps television networks around the world seeking access to the United Artists library of 4,000 films. This, at the end of the day, was undoubtedly the key asset for Qintex because it is one of only seven such libraries in the world and offers the prospect of a healthy cash flow.

From a longer-term perspective, the deal has a certain logic. It adds a fresh dimension to the group's entertainment interests which link back with its existing operations. It also takes Qintex closer to its strategic objective of having a 50-50 split in its assets, both between its leisure and entertainment interests and between its Australian and overseas involvements.

However, if all this seems encouraging for Mr Skase, there are also reservations. As one Australian broking analyst pointed out yesterday, the organisation he is trying to simplify must use a complex corporate structure for the deal to go ahead. Meanwhile, Qintex's debt continues to stand at A$600m, and around A$760m if convertible notes are included.

Perhaps predictably at this stage, questions are also being asked about the price he is paying for the assets he has acquired; about the amount of debt lying within United Artists; and about prospects for the movie industry as a whole in an age of satellite and cable television.

Answers to these questions will no doubt come. For the moment, Mr Skase appears determined to become an international movie mogul as well as an Australian television baron. And Qintex has a chance of becoming a household name across two continents instead of remaining a budding corporate entity Down Under.

CRA and Ashton to bid for Argyle partner

By Kenneth Gooding, Mining Correspondent

THE TWO major joint venture partners in Australia's Argyle diamond mine, the world's largest in carat volume terms and the biggest known diamond deposit, have agreed to bid for the third partner, Western Australian Diamond Trust (WADT).

CRA, the Australian mining concern which controls 56.8 per cent of Argyle, and Ashton Mining, which owns 38.2 per cent, are to form a joint company to bid A$61.75m (US$50.57m) for WADT, which has the remaining 5 per cent.

WADT was formed in 1984 to buy the Western Australian Government's stake in Argyle and is managed by the Western Australian Development Corporation – itself in the throes of a shake-up instigated by the state's new Labour government.

Ashton was forced recently to make a cash offer of 87 cents a share for WADT after buying in the market and currently holds about 28 per cent of WADT. The new joint CRA-Ashton company will make a bid of 95 cents a share as soon as the Ashton offer expires on April 10.

CRA currently owns 19.9 per cent of WADT. The partners said that, after taking control, they intended to split their interest in WADT in a way that would reflect their existing holdings in Argyle.

If the bid is successful, WADT will continue to be operated as a going concern and will remain listed on the Australian Stock Exchange.

For this reason there will be no move to compulsorily acquire minority holdings in WADT after completion of the CRA-Ashton offer, the two companies said.

Swilynn to gain quote on HK exchange after issue

By Our Financial Staff

SWILYNN INTERNATIONAL, the Hong Kong magnetic tape maker which is planning a factory in the UK, is to gain a quotation on the territory's stock exchange after issuing equity to raise HK$105m (US$13.5m).

Mr Ngan Ping Woon, chairman, said yesterday the company was to issue 75m shares at HK$1 in a placement underwritten by Standard Chartered Asia, for which subscriptions open today.

This follows an institutional placing of 30m existing shares, made at the same price and just completed. Mr Ngan retains 65 per cent of Swilynn which, at the issue price, is capitalised at around HK$300m. Sales of the company reached HK$183.6m last year and net profits were HK$11m.

Net proceeds of HK$91m from the share offers will go variously towards funding the British plant, the upgrading of existing facilities in Hong Kong and Malaysia, retiring bank loans and providing working capital.

Swilynn intends to pay a total dividend of 8 cents for the year to July from net earnings forecast at 20.2 cents.

● C.P. Pokphand, a Thai-controlled agricultural, industrial and trading company which undertook a share flotation in Hong Kong a year ago, yesterday reported net profits of HK$118m for 1988, compared with a prospectus forecast of HK$70m.

From earnings per share of 20 cents, against a projected 14.6 cents, it paid a total dividend of 7 cents – against the 6.5 cents originally planned.

Turnover was HK$652m. Pokphand also recorded an extraordinary gain of HK$13m representing interest earnings from the outstanding subscription funds for the share issue.

INTERNATIONAL COMPANIES AND FINANCE

Dallas raider buys stake in Lockheed

By Anatole Kaletsky in New York

LOCKHEED, the US military contractor which has repeatedly been subject to takeover speculation, said an investor group led by Mr Harold Simmons' Valhi Inc had acquired a stake of 5.3 per cent.

Lockheed shares jumped by $3¼ to $50 on the news, valuing the 59.5m outstanding common at around $3bn.

Mr Simmons, a Dallas-based investor who is believed to have accumulated a fortune of well over $1bn through corporate raids and takeover bids in the food, chemicals and energy service industries, first showed an interest in Lockheed three months ago when he announced he had bought 0.6 per cent of its shares.

That statement, made just before the New Year, boosted Lockheed's share price by 7 per cent to about $43. But speculators have since been disappointed by the performance of Lockheed stock.

Wall Street arbitrageurs said yesterday's move was unlikely to be the prelude to a full bid. Rather, it was probably intended to intensify the pressure on the board to boost the company's share price or to flush out another bidder by putting the company "in play."

Companies mentioned as possible buyers of Lockheed have included Ford Motor, Boeing and Rockwell International, though all have consistently refused to comment on such rumours. There has also been speculation that Lockheed might be able to do a leveraged buyout.

However, a takeover or buyout battle could well raise eyebrows at the Pentagon which relies on Lockheed as a prime contractor on numerous military programmes, including several involving secret "stealth" technology.

Fresh challenge by Steve Jobs

Next Inc plans to tackle the computer giants, writes Louise Kehoe

MR Steve Jobs is at it again. The computer entrepreneur who won worldwide acclaim as a pioneer of the personal computer industry at Apple Computer is once more shaking up the industry.

This time, Mr Jobs' target is the $4bn market for computer workstations, which is expected to explode at a growth rate of over 50 per cent per year over the next five years.

At an elaborate event in San Francisco last week, Mr Jobs announced that Next Inc, the company he founded in 1985 after his departure from Apple, will after all offer its computer workstation on the commercial market. Previously, he had maintained that the computer, introduced last October, was destined only for students and teachers in colleges and universities.

While many suspected Next would eventually broaden its horizons, the news has still sent a shock wave through the industry. No other company of the size of Next could have attracted so much attention with such an announcement. Next has only sold about 1,000 computers to date – barely enough to recoup the costs of its gala introductory event at San Francisco's Opera House last year.

But Mr Jobs is different. Not only does his celebrity demand attention, but his new computer also represents a very real challenge to established market leaders.

Through a distribution agreement with Businessland, one of the leading US computer retail chains, Next Inc has created an important new sales channel for computer workstations, beating competitors such as Sun Microsystems and Hewlett-Packard to the punch. Next computers will be on display in Businessland's 112 stores next month. The move erases any remaining doubts that workstations will compete directly with the high-end products of major personal computer manufacturers including IBM, Apple and Compaq. For the first time, Next has presented the computer workstation as a product that can be sold "off the shelf" to business users with a minimum of sales support.

With the launch of the Next computer into the commercial market, Mr. Jobs has also challenged technology trends that virtually all of his competitors are following.

Like Apple's personal computers, the Next machine incorporates proprietary technology that gives it unique features. While others in the industry battle over creating "open system standards" to provide all types of computers with similar screen displays and the ability to share software and data, Next has struck out on its own with an unashamedly non-standard approach.

Sidestepping the industry-wide debate over standards, Next has chosen a derivative of the Unix operating system called Mach and a new user interface program to create a machine which Mr Jobs claims is easier to use and program and higher in performance than similarly priced competing products.

If Mr Jobs is successful, then the entire computer industry may have to adjust its plans, incorporate some of the elements of the Next software in its evolving "standards," or even abandon efforts to standardise software in the workstation sector.

That sounds improbable, but Mr Jobs has changed the course of the computer industry twice before. In the late 1970s at Apple, he was a major contributor to the company's success in commercialising the personal computer, a trend that revolutionised the use of computers in business, homes and schools.

In the early-1980s, Mr Jobs headed the Apple project that created the Macintosh personal computer, a machine that has radically influenced computer technology development with its use of a "graphical user interface," a program that creates computer screen displays.

Steve Jobs: confident of $150m worth of sales

Given Mr. Jobs' previous accomplishments, few in the computer industry are ready to dismiss the potential of his latest venture.

Yet Next faces formidable competition. This month Sun Microsystems, the leading computer workstation manufacturer with 1988 sales of over $2bn, is expected to unveil a new range of workstations for the business market that incorporate many of the advanced features found only in scientific and technical workstations.

IBM is also increasing its efforts in the fast growing workstation market and is expected to distribute some of its workstations through Businessland, alongside the Next product, later this year.

Then there is Apple, the company that Mr Jobs co-founded. Mr Jobs was ousted from the chairmanship of Apple in 1985 following a bitter power struggle with Mr John Sculley, now chairman and chief executive of the personal computer company.

With its highest performance Macintosh personal computers, Apple is addressing a market segment that significantly overlaps with that for the Next workstation. What is more, Businessland represents one of Apple's largest retail sellers.

The prospect of a marketing battle between Apple and Next is intriguing. There is little doubt that Mr Jobs would love to prove that he can outwit his successors at Apple.

The most important battle in the emerging "personal workstation" market, however, is being waged within the industry as rival workstation manufacturers vie for the attention of software developers.

Without a portfolio of key software applications, a computer is of little value to most users. When making its announcement last week, Next demonstrated over a dozen programs running on its computer and said that leading software companies including Aldus, Lotus Development and Sybase are working on programs for the Next computer.

Still, Next has a long way to go to catch up with Sun Microsystems, which claims to have 500 applications programs for its workstations, or Apple which has a huge range of Macintosh applications.

Nonetheless, Next's entry into the commercial market comes at an opportune time. Software developers are currently facing a major quandary over which new computers and software standards to support. Few can afford to work on programs for more than a couple of different types of computers. With his long-standing ties to the software industry, Mr. Jobs stands a good chance of drawing support.

Businessland's chairman, Mr David Norman, said last week that he is confident that he can sell $150m worth of Next computers in the next 12 months. That would be enough to put Mr Jobs back in the mainstream of the computer industry, and enough to ruffle the feathers of some of his new competitors.

Goldman Sachs in joint venture with Citibank

By Janet Bush in New York

GOLDMAN SACHS and Citibank have formed a joint venture to arrange bridge loans to finance leveraged buy-outs, acquisitions, recapitalisations and tender offers.

Bridge Loan Partners, an affiliate of Goldman Sachs, and Citicorp Leasing, a subsidiary of Citibank. will be general partners in a new company called Broadpark Partnership, each owning 50 per cent of the venture. Broadpark is backed by $2bn raised from bridge financings, including $500m from the partners and $1.5bn from a syndicate of commercial banks.

The banks include Barclays Bank of Britain, Canadian Imperial Bank of Commerce, Commerzbank of West Germany, Continental Bank and a clutch of Japanese banks – Fuji Bank, Industrial Bank of Japan, Mitsubishi Trust & Banking Corp, Nippon Credit Bank, Sumitomo Bank and Taiyo Kobe Bank.

The new company will organise bridge financings for transactions originated by Goldman Sachs.

Citibank is barred from having a full investment banking operation within the US because of the 1933 Glass-Steagall Act.But it has a substantial involvement in providing financing for mergers and acquisitions and is active in investment banking overseas.

Burger King cuts 550 jobs

By Karen Zagor in New York and Lisa Wood

BURGER KING, the US hamburger chain acquired by Grand Metropolitan, the UK food and drink group, is to cut its non-restaurant staff by about 550. The redundancies are part of a large cost-cutting and restructuring exercise.

About 100 jobs will go at Burger King's Miami Headquarters, and the rest at its 32 US field offices. GrandMet acquired Burger King with Pillsbury, which it bought for $5.75bn in January. In March GrandMet announced 550 redundancies at Pillsbury's Minneapolis headquarters, which employed 1,800. From the first days of launching its bid, GrandMet warned that job cuts were inevitable.

INTERNATIONAL CAPITAL MARKETS

Gerrald & National set up Matif joint venture

By Katharine Campbell

GNI, the futures and options broking subsidiary of Gerrald & National, the UK discount house, has formed an alliance with two French financial institutions to broke business on the Matif, the Paris futures exchange.

Trifutures, which opens for client business in about a week, claims to be one of the first joint ventures involving a foreign firm to operate on the Matif.

Now Europe's largest futures exchange, the Paris-based market is still confined to a domestic product base, with volumes dominated by the 10-year French government bond future.

Equal partners in the new venture with GNI are Caisse des Dépôts et Consignations (CDC), the big state financial institution, and Banque d'Escompte, the French discount house. Both are primary dealers in the domestic bond market.

GNI, the broking arm of Trifutures, will be responsible for bringing a wider international clientele to Paris.

The tie-up reflects the London firm's confidence in the growth potential of the Matif, particularly in view of approaching European capital liberalisation by 1992. GNI has already generated considerable client interest in Matif contracts, particularly the French bond future, which it had previously routed through Banque d'Escompte.

Trifutures becomes one of the new *négociateurs courtiers*, or floor brokers, on the Matif, leasing trading rights from CDC and executing trades for CDC's and Banque d'Escompte's own account as well as for outside clients.

Prior to this year, joining the Matif meant applying for full clearing status, which among other things necessitated a minimum net worth of FFr200m ($31.3m). Now Trifutures can set up as a broker, capitalised at just over FFr10m and clear its trades through CDC, which has vast capital resources.

A floor team of five is now in place, which may double by the end of the year.

Mr Anthony Norton, a director of GNI and chairman of the management board of Trifutures, anticipates that a dealing room will be set up within the next couple of months. This would facilitate a full brokerage service, as well as allowing the firm to broke on the THS system, an unofficial after-hours market-place.

GNI's move affords the firm the luxury of a dispassionate view in the sparring match between Liffe and the Matif to oust one another as Europe's dominant exchange. Mr Norton says he has an open mind as to which, if either, exchange finally prevails.

The two markets will shortly confront each other head on for the first time if plans for a Euro D-Mark three-month interest rate future materialise. Liffe has tabled a launch date of April 20, but the Matif may not be far behind with what would be its first non-domestic product.

And if Trifutures' own ambitions are relatively modest at present, the company's legal structure in France allows the company to expand beyond futures broking, notably into fund management.

Term loan for Athens transport

By Norma Cohen

ATHENS AREA Urban Transport Organisation, the Greek government agency responsible for overland rail and bus transport in Athens, has awarded Sumitomo Bank a mandate to arrange a $37.5m eight-year term loan.

The loan, which is guaranteed by the Hellenic Republic, carries a zero risk weighting for capital adequacy purposes.

There is a five-year grace period with repayments to be in seven semi-annual instalments thereafter.

The margin for the first six years is ⅜ over London interbank offered rates (Libor), rising to ½ for the final two years. Front-end fees are a maximum of 20 basis points for banks committing to $5m. The loan is intended to be fully drawn.

● Northern Feather Company of Denmark, a maker of duvets and pillows, has mandated Chase Investment Bank to arrange a DM100 four-year credit.

Of that, DM75m is a term loan, with the remainder in the form of a revolving credit. The margin is set at 50 basis points over D-Mark Libor and there is a ⅛ commitment fee on the revolving credit.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†92¼	92¾	0	-0¼	10.75
B.F.C.E. 7 92	150	†91¼	91¾	0	-0¼	10.56
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101⅛	102	-0⅛	0	5.05
Canada 5⅝ 93	80	101⅞	102⅜	0	+0⅛	5.05
Eurofima 5 1995	20	98⅞	99⅛	0	+0⅛	5.17
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Banque Internationale à Luxembourg; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Générale du Luxembourg SA; Banque Paribas Capital Markets; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse First Boston Ltd; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Société Générale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday April 3, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	58.8671	31.2844	44.5566
Albania (Lek)	10.0253	5.9462	3.1600	4.5006
Algeria (Dinar)	11.5503	6.8447	3.6376	5.1808
Andorra (Fr Fr)	10.7100	6.3523	3.3758	4.8080
(Sp Peseta)	195.40	115.8956	61.5918	87.7216
[illegible]				

Special Drawing Rights March 31 1989 United Kingdom £0.765461 United States $1.29271 Germany West D Mark 2.44671 Japan Yen170.702. European Currency Unit Rates April 3 1989 United Kingdom £0.655494 United States $1.10156 Germany West D Mark 2.08084 Japan Yen145.736

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (r) convertible rate; (s) parallel rate; (t) Selling rate; (u) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday April 3, 1989.

COMPANY NOTICES

THE COMMERCIAL BANK OF THE NEAR EAST PLC

NOTICE IS HEREBY GIVEN that the Sixty-seventh Annual General Meeting of this Company will be held at its Registered Office, Bankside House, 107-112, Leadenhall Street, London EC3A 4AE, on Monday 15th May, 1989 at 12 noon, for the following purposes:-

1. To receive and adopt the Directors' Report and Accounts for the year ended 31st December, 1988.
2. To declare a dividend.
3. To re-elect the retiring Directors.
4. To re-appoint the retiring Auditors and to authorise the Directors to fix the remuneration of the Auditors for the current financial year.
5. To transact the business of an Ordinary General Meeting.

By Order of the Board,
D. L. OSBORNE,
Secretary

Bankside House,
107-112 Leadenhall Street,
London EC3A 4AE
27th February, 1989

Notes
1. Any member of the Company entitled to attend and vote at the above Meeting may appoint another person who need not be a member of the Company as their proxy to attend and vote instead of them.
2. There are no contracts of service which are required to be made available for inspection at the Meeting.

CHEMICAL NEW YORK CORP.
US$300,000,000 FLOATING RATE SENIOR NOTES DUE 1999

In accordance with the provisions of the Notes, Notice is hereby given that for the interest period from 31 March, 1989 to 28 April, 1989 the Notes carry an interest rate of 10⅜ per cent per annum.
The interest payable on the relevant interest payment date, 28 April, 1989 against coupon No 63 will be US$80.21 per US$10,000 Note.
AGENT BANK
CHEMICAL BANK

LEGAL NOTICES

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

Notice is hereby given that the ANNUAL GENERAL MEETING of the Society will be held in the SOCIETY'S HEAD OFFICE No. 28 ST. ANDREW SQUARE, EDINBURGH on Thursday, 20th April 1989 at 12.30 p.m. to consider the Accounts and Balance Sheet and Reports of the Directors and the Auditor, to elect Directors and to elect Auditors.

A member of the Society entitled to attend and vote at any Annual General Meeting is entitled to appoint another person to attend and vote instead of him. Proxies must be lodged at the Society's Head Office not less than forty-eight hours before the time for holding the Meeting.

By Order of the Board
D.A. BERRIDGE
Chief Executive
28 St. Andrew Square
EDINBURGH

OBITUARIES

TEMPLER: On 26 March, Peter Reginald, aged 62 died suddenly at home. Service at Golders Green Crematorium 7 April at 2 pm. Instead of flowers make a gift to ... "I have dipped the vessel of my heart into this silent hour; it is filled with love." Sheila, Susanne, Laura, Melanie, Richard & Ria.

INTERNATIONAL CAPITAL MARKETS

Weak $ helps boost European sentiment

By Katharine Campbell in London and Janet Bush in New York

THE GROUP of Seven's communique early yesterday served to moderate the dollar's recent levity, at least for the next day or two. This, combined with the enduring effect of US Treasury bond strength and further signs over the weekend of a slowdown in the US economy lent a modestly positive tone to Continental

GOVERNMENT BONDS

European markets.

In Paris, the June future on the Matif closed 50 basis points firmer at 105.70. In the cash markets, the tap stock, the 8¼ per cent bond due 1999, broke below 9.00 per cent, where it had been stuck for a while, to yield about 8.93 per cent. Domestic buyers, however, are mostly holding back for Thursday's monthly auction, when the French Treasury is expected to tender between FFr8bn *to FFr10bn of new stock.*

US Treasury bonds rose yesterday morning in the wake of the latest US purchasing managers' report, which pointed to slower economic growth.

At midsession, prices were quoted as much as ⅛ point higher at the short end of the yield curve and ⅝ point higher at the long end. The Treasury's benchmark long bond stood ⅜ point up for a yield of 9.03 per cent.

The bond market had already rallied on Friday as some of the purchasing managers' report had leaked out but, when it was officially released yesterday morning, the index was even lower than the rumours had suggested.

The market's focus was also on the dollar which dipped from early highs after the G7, which met at the weekend, issued a strong statement arguing against a further rally in the dollar.

This was reinforced by intervention by central banks, including the Bundesbank and the Bank of Japan, the first time in a while the Japanese central bank has been in the market so obviously.

Despite the G7 statement *and the intervention,* however, the US currency's slide was relatively modest. At midsession, the dollar was quoted at Y132.1 compared with an earlier low of Y131.85 and a high of Y133.3. Against the D-Mark, it stood at DM1.8825 from DM1.8802 and DM1.902 earlier.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	107-06	-8/32	10.95	10.69	10.56
	9.750	1/98	97-11	-10/32	10.21	10.04	9.98
	9.000	10/08	97-26	-15/32	9.24	9.10	9.05
US TREASURY *	8.875	2/99	97-28	+15/32	9.25	9.44	9.34
	8.875	2/19	98-04	+8/32	9.07	9.22	9.15
JAPAN No 111	4.600	6/98	96.6525	+0.211	5.14	5.08	5.12
No 2	5.700	3/07	106.7273	+0.303	4.99	5.02	4.98
GERMANY	6.375	11/98	95.9250	+0.175	6.96	6.94	6.98
FRANCE BTAN	8.000	1/94	96.0956	+0.420	9.02	9.20	9.33
OAT	8.125	5/99	94.8100	+0.470	8.91	9.03	9.17
CANADA *	10.250	12/98	99.2500	+1.250	10.37	10.64	10.49
NETHERLANDS	6.7500	10/98	97.3750	+0.150	7.13	7.09	7.19
AUSTRALIA	12.000	7/99	90.4511	-0.635	13.74	13.63	13.59

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

The dollar's relative stability helped bonds. One factor which limited price gains, however, was a sharp rise in oil prices. Crude futures for May *delivery jumped 42 cents a barrel* on the New York Mercantile Exchange yesterday morning, to $20.61.

IN Germany, bonds were fixed higher on the bourse, mostly reflecting the dollar's easier tone and the psychological boost of some Bundesbank currency intervention.

The recent 7 per cent federal bond due 1999 was yielding 6.94 per cent after official prices were *marked up 10 pfennigs.* On Liffe, the June future closed near the day's highs at 93.24, after 92.95 on Friday.

Terms were set on the DM2bn federal postal authority bond. With a 10-year maturity and a 7 per cent coupon, the stock was priced at 100.75 to yield 6.89 per cent. The paper, which is virtually exclusively of domestic appeal, generated better than expected demand from German insurance companies.

THE BANK of Japan's cameo appearance, buying yen for dollars at around Y133.20 immediately following the G7 communique, served to knock the dollar down modestly.

The bank's presence in the currency markets sparked a modest rally in domestic government bonds, so that the June 10-year June future closed at 104.8, compared with 104.51 on Friday.

Dealers are awaiting the April bond auction, the first occasion on which underwriters can bid competitively for a portion (40 per cent) of the paper. It is thought the Ministry of Finance will hold the *auction tomorrow,* after negotiating with the syndicate to fix the coupon. The market expects an issue of Y1,000bn with the same 4.8 per cent coupon.

Midland seeks power to issue $ preference shares

By David Barchard

MIDLAND BANK is to seek approval from its shareholders for a new issue of preference shares. However, the bank said yesterday it had no immediate plans to issue the shares and was merely seeking the power to do so.

The issue would consist of £150m of shares denominated in sterling and $250m of dollar-denominated shares. This is the first time Midland has issued non-cumulative preference dollar shares.

The bank said that by issuing dollar preference shares it would be protecting its capital ratios from the effects of exchange-rate movements.

"Dollar-denominated capital will be used to support dollar assets," it said.

Another advantage of dollar shares would be that they *could be traded easily* in the active market for preference shares in the US. At present *Midland* has only a limited presence in the US market following its withdrawal after the Crocker affair in the mid-1980s.

Midland's aim in issuing the shares seems to be to try to tap funds in a part of the UK market which is currently sluggish but could become more active as the market in gilts declines, as well to seek a more active presence in US markets.

The issue will not make much difference to Midland's overall capital adequacy position under the BIS proposals, where the bank's risk/asset ratios are already well above minimum requirements.

A preference issue of £100m would raise Midland's overall risk/asset ratio from 11.8 per cent to 12 per cent, compared with a minimum of 8 per cent under BIS.

Midland's tier 1 risk/asset ratio would rise from 7 per cent to 7.2 per cent, compared with a Basle minimum requirement of 4 per cent.

Midland's shareholders will vote on the preference issue at an extraordinary general meeting immediately after its AGM on April 27. A circular informing them of the proposal has been sent out.

Brady plan 'could weaken World Bank preferred status'

By Norma Cohen

THE PLAN by Mr Nicholas Brady, US Treasury Secretary, to reduce the debt burdens of Third World nations could entangle the World Bank in conflicts between commercial banks, thereby weakening its preferred creditor status, according to reports published by Moody's Investors Service.

Under the Brady plan, it will be possible for debtor nations to use loans or credit supports from governments or multinational lending agencies such as the World Bank to buy back a portion of their outstanding debt, most probably at a discount. Moody's warns that while the plan may offer some help to highly exposed US money center banks, "it may trigger reactions on the part of both banks and debtor countries that, in the end, may neu*tralise or subvert its original* intent."

For instance, LDC borrowers may interpret the sanctioning of debt buy-backs at a discount as the legitimisation of debt forgiveness while the banks may come to expect World Bank guarantees as a precondition for any future lending.

The latter is of particular concern, Moody's said, because if the World Bank began funding credit guarantees from its own resources, lenders would begin to rely on it to meet the obligations on guaranteed loans if the debtor nation became unable to do so. That would leave the World Bank to try to collect from the debtor nation directly.

Moody's said it was still unclear whether debtor nations would treat that obligation to the World Bank on the same "preferred creditor" basis it had accorded World Bank loans in the past. Preferred creditor status means that if there are sufficient resources to pay only one of several creditors, the preferred creditor wins out.

The World Bank's preferred status has contributed to its ability to borrow at the best possible interest rates.

● Moody's assigned a B2 rat*ing to Brazil's so-called "new money bonds"* issued in bearer form in connection with the country's 1988 *debt* rescheduling and new money agreement. The bonds, guaranteed by the Republic of Brazil, can be *traded outside the US.*

While Moody's considers the bonds to be somewhat less risky than bank debt, they are less insulated from sovereign risk than Brazil's straight Eurobond debt, rated B1.

Eerie quiet as new-issue activity contracts sharply

By Andrew Freeman

THE EUROBOND markets were described by dealers as eerily quiet yesterday.

New-issue activity contracted sharply after last week's flurry ahead of the first quarter league tables. Despite the rally on the US Treasury

INTERNATIONAL BONDS

market, sentiment among investors was subdued and spreads of secondary Eurodollar bonds remained historically wide.

One US dollar deal emerged yesterday, a $100m issue for the Asian Development Bank which was brought by Shearson Lehman Hutton International. The 10-year bonds were priced at 101.35 to yield some 52 basis points over Treasuries on an annual basis. The semi-annual spread which is commonly used by investors was nearer 48 basis points.

The issue came with a coupon of 9⅞ per cent, just below recent 10 per cent coupons for 10-year bonds as the Treasury market rallied on Friday before the pricing was fixed. This made the paper harder to sell *to Japanese investors,* which usually demand a 10 per cent coupon, but the lead manager reported satisfactory placement in Tokyo where the deal was launched overnight.

The deal was syndicated along so-called take and pay lines, with co-managers guaranteed immediate allocations and no deductions for stabilisation. An attempt to limit the grey market in the bonds to syndicate members was frustrated by spoiling bids to independent brokers from houses outside the deal.

The lead manager said it had stepped in to support the bonds at around less 2 bid, a discount equivalent to underwriting fees.

Shearson would not comment, but it is understood that the proceeds were swapped into fixed-rate yen. There was talk in the market that the swap involved a subsidy by the yen counterparty.

Most recent US dollar issues have been partly driven by swaps into floating-rate dollars.

Elsewhere, Hambros Bank was the lead manager of an A$75m issue for the State Bank of South Australia. The five-year bonds came with a 15¼ per cent coupon and were priced to attract retail interest away from similar secondary deals.

The lead manager was quoting the bonds at less 2 bid, on fees and reported widespread European interest. The proceeds were swapped into floating-rate Australian dollars.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Asian Development Bank◆	100	9⅞	101.35	1999	2/1¼	Shearson Lehman Hutton
Final terms fixed on:						
Jujo Paper(a)✚◆	400	4⅛	100	1993	2¼/1½	Nikko Secs. (Europe)
Onoda Cement Co.(a)✚◆	300	4¾	100	1994	2¼/1½	Nikko Secs. (Europe)
AUSTRALIAN DOLLARS						
State Bk of Sth Australia◆	75	15¼	102	1994	2/1¼	Hambros Bank
NEW ZEALAND DOLLARS						
Societe Generale◆	50	13½	101⅞	1992	1½/1	Fay, Richwhite
SWISS FRANCS						
Soc.de Dev.Regional(b)★★◆	45	5⅝	100⅞	1993	1¼	Banque Paribas (Suisse)
ECUs						
Nat.-Nederlanden US(c)◆	100	9	101½	1991	1⅛/⅝	Bankers Trust Int.

★★Private placement. ✚With equity warrants. ◆Final terms. a) Coupon cut by ⅛% from indication. b) Call after 3 years at 100¾. c) Issue increased from Ecu75m.

Four Japanese banks to run MasterCard network

By David Barchard

FOUR leading Japanese banks have announced plans to set up and operate a MasterCard *services network in Japan.*

The move, being planned by Dai-Ichi Kangyo Bank, Fuji Bank, Mitsubishi Bank and Tokai Bank, would create a MasterCard network of more than 20m cardholders compared with 10m for Visa International, the rival network, the banks said.

A separate arm of MasterCard International, to be known as MasterCard Japan, will be created, handling negotiations with retailers and sales outlets.

The Japanese credit card market is currently undergoing a shake-up as banks expand into business activity previously closed to them.

Until a recent change in the law, *banks were unable to conduct* credit card business for themselves and had to operate through subsidiaries and independent retailer networks.

News of the creation of MasterCard Japan came as Mr Pete Hart, the newly appointed president of MasterCard International, began a tour of Asia and Australia.

MasterCard is to open a regional head office in Sydney, Australia to handle activities of the organisation in Australia, India, Japan, South Korea, Nepal, New Zealand, Pakistan and Sri Lanka.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday April 3 1989

Figures in parentheses show number of stocks per section

EQUITY GROUPS & SUB-SECTIONS	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Mar 31 Index No.	Thu Mar 30 Index No.	Wed Mar 29 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (207)	[illegible]									
2 Building Materials (29)	[illegible]									
3 Contracting, Construction (38)	[illegible]									
4 Electricals (10)	[illegible]									
5 Electronics (30)	[illegible]									
6 Mechanical Engineering (54)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (17)	[illegible]									
10 Other Industrial Materials (22)	[illegible]									
21 CONSUMER GROUP (186)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (20)	[illegible]									
26 Food Retailing (15)	[illegible]									
27 Health and Household (14)	[illegible]									
29 Leisure (33)	[illegible]									
31 Packaging & Paper (16)	[illegible]									
32 Publishing & Printing (18)	[illegible]									
34 Stores (33)	[illegible]									
35 Textiles (15)	[illegible]									
40 OTHER GROUPS (94)	[illegible]									
41 Agencies (18)	[illegible]									
42 Chemicals (22)	[illegible]									
43 Conglomerates (11)	[illegible]									
45 Transport (13)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (28)	[illegible]									
49 INDUSTRIAL GROUP (487)	[illegible]									
51 Oil & Gas (13)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (124)	[illegible]									
62 Banks (8)	[illegible]									
65 Insurance (Life) (8)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (7)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (53)	[illegible]									
70 Other Financial (30)	[illegible]									
71 Investment Trusts (73)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (8)	[illegible]									
99 ALL-SHARE INDEX (707)	[illegible]									
FT-SE 100 SHARE INDEX♦	[illegible]									

FIXED INTEREST

PRICE INDICES	Mon Apr 3	Day's change %	Fri Mar 31	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	117.59	-0.16	117.80	0.02	3.59
2 5-15 years	134.25	-0.26	134.61	-	2.89
3 Over 15 years	145.30	-0.38	145.85	-	4.56
4 Irredeemables	172.94	+0.02	172.90	-	1.51
5 All stocks	131.56	-0.24	131.88	0.01	3.57
Index-Linked					
6 5 years	132.38	-0.23	132.68	-	1.36
7 Over 5 years	133.40	-0.39	133.92	-	0.95
8 All stocks	133.23	-0.38	133.74	-	0.95
9 Debentures & Loans	116.82	-0.59	117.52	-	2.20
10 Preference	89.11	+0.25	89.39	0.51	1.83

AVERAGE GROSS REDEMPTION YIELDS (Mon Apr 3, Fri Mar 31, Year ago (approx.)): British Government Low Coupons 5 years, 15 years, 25 years; Medium Coupons 5 years, 15 years, 25 years; High Coupons 5 years, 15 years, 25 years; Irredeemables; Index-Linked Inflation rate 5% 5yrs, Over 5 yrs; Inflation rate 10% 5yrs, Over 5 yrs; Debs & Loans 5 years, 15 years, 25 years; Preference — [illegible]

♦Opening index 2064.1; 10 am 2074.1; 11 am 2079.6; Noon 2075.8; 1 pm 2077.9; 2 pm 2081.1; 3 pm 2076.9; 4 pm 2076.3; 4.05 pm 2076.4. [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	90	19
Corporations, Dominion and Foreign Bonds	0	10	34
Industrials	438	425	710
Financial and Properties	191	131	338
Oils	37	19	42
Plantations	1	1	10
Mines	58	27	98
Others	115	32	88
Totals	840	735	1,339

LONDON RECENT ISSUES

EQUITIES — [illegible]

FIXED INTEREST STOCKS — [illegible]

RIGHTS OFFERS — [illegible]

TRADITIONAL OPTIONS

● First Dealings Mar 20
● Last Dealings Apr 7
● Last Declarations Jun 29
● For settlement Jul 10

For rate indications see end of London Share Service

Calls in Tusker Resources, Benjamin Priest, British & Commonwealth, WA Holdings, Johnson & Firth Brown, Brewmaker, Alida, Mersey Dock, Waterfield units, Ferranti, JW Wood, Cultus Pacific, Medirace, J Williams, Apricot Computers, Atlantic Resources, Unigate, Central & Sheerwood and Business Technology. Puts in Central & Sheerwood and Chloride.

LONDON TRADED OPTIONS

BEECHAM, the UK concern which is in talks with SmithKline of the US with a view to a merger creating one of the biggest pharmaceutical companies in the world accounted for around 10 per cent of overall traded options market turnover of 40,615 contracts yesterday, as its underlying share price rose 25p to 619p.

The turnover in Beecham was achieved largely in the earlier part of the day, following the weekend announcement of talks with SmithKline, and by 12.30pm 2,984 contracts had been reported. By the end of the day, the total had grown to 4,027 contracts, with the number of bargains coming to 100, for an average size of 40.2 contracts. Calls amounted to 2,742 contracts and puts to 1,285, with the July 600 call far and away the most heavily traded series, on 2,109 contracts. On the put side the biggest business was in the 550 puts, which attracted 500 contracts. The news had a knock-on effect on pharmaceuticals stocks at large, though only Boots among them showed substantial business.

It was a rare appearance for Boots in the category of the most heavily traded options stocks. The company opened the day with some 15,000 options contracts outstanding, representing some 15m shares. Yesterday, there was trading of 1,826 contracts, comprising 1,528 calls and 300 puts, as the underlying share price rose 4p to 275p. The July 260 calls alone found business of 1,032 contracts, with at least one buyer seen of 500 contracts.

The most heavily traded stock after Beecham, even so, was British Petroleum, down 1p at 286p on the underlying market. Total options on it came to 3,504 contracts, consisting of 1,393 calls and 2,111 puts, with some major securities houses recommending Shell, on the back of the Alaska oil spillage. Ultramar saw strength on the same grounds, ending with 1,094 call contracts traded, and 100 puts.

Trading in the FT-SE 100 index option came to 7,145 contracts, consisting of 1,956 calls and 5,190 puts, as the index itself resisted weakness in sterling to end 4.6 points up on the day, at 2,078.6, in spite of it being a heavy ex-dividend day. Liffe gave it a strong upward pull.

[illegible]

UK COMPANY NEWS

Strong performance from newspapers and magazines

Expanding Pearson 31% ahead at £199m

By Nikki Tait

PEARSON, the publishing, banking and industrial conglomerate which owns the Financial Times, yesterday announced a 31 per cent rise in pre-tax profits for 1988.

The improvement, from £151.8m to £198.9m, was achieved on sales of £1.19bn compared with £952.2m.

Earnings advanced by 9p to 55.7p and a final dividend of 10.5p raises the total by 3p to 18p per 25p share. Pearson shares rose 14p to 716p on the news.

Comparisons, however, have been complicated by a high degree of acquisition and disposal activity. Companies purchased include Addison-Wesley, the US educational publisher, in late-March; a majority stake in Les Echos, the French financial newspaper publisher, in May; Reda Pump, the oil services business, in September; and the share exchange deal with the Dutch Elsevier group. Conversely, Whitehall Petroleum was sold in the autumn for an extraordinary profit of £55m before tax.

Pearson said that investment in the group during the year totalled £788m, while disinvestment amounted to £174m.

But it added that if the four major acquisitions were excluded, sales were up by nearly 10 per cent at £1.04bn. Trading profits from businesses owned throughout the year rose by 22 per cent to £182m.

On the information and entertainment side, trading profits rose from £89.4m to £128.9m. That included a £5.2m first-time contribution from Elsevier, where Pearson owns over 22 per cent, plus £20.7m from Addison-Wesley.

The existing newspaper and magazine interests achieved a strong performance, with the Financial Times making profits of £26m and Westminster Press — also at a record — turning in just under £19m. Profits overall in this division were up from £40.6m to £54.4m.

However, profits from book publishing (£57.5m compared with £39.5m) would have shown a slightly-reduced contribution had Addison-Wesley been excluded. The company explained that it had three strong titles in 1987 (including Spycatcher) which were not repeated last year; some of Longman's US interests had suffered in the wake of the 1987 stock market crash; and Ladybird's book-and-cassette business had been adversely affected.

Lord Blakenham, chairman of Pearson, said that Salman Rushdie's Satanic Verses, which was published by the group, had had no influence on the 1988 figure and he did not expect it to have a significant influence on the current year.

On the entertainment front, profits were up from £9.3m to £11.8m.

Of the other divisions, oil services showed the most marked advance with trading profits up from £8m to £16.9m. On the fine china side, trading profits increased from £14.3m to £17m, while investment banking turned in £32.6m (£30.5m).

Group pre-tax profits were struck after taking account of interest charges of £18m, against previous income of £3m. Net debt at the year-end totalled £369m, while net assets fell from just over £600m to £484m as a result of goodwill write-offs. In the absence of any brand valuation, this left gearing at 76 per cent, although interest cover was 12 times.

Pearson added that there were further disposals, totalling around £170m, either being completed or still in the pipeline. These include the sale of the US-based Lignum Oil business, expected to be finalised shortly.

With regard to Mr Rupert Murdoch's near-18 per cent stake in Pearson and plans by the Australian media tycoon to create a new acquisition-minded media vehicle, Lord Blakenham said: "I never under-estimate Mr Murdoch, but I don't think this changes the situation much."

Vis-a-vis Elsevier, he added that the two companies were still examining how future links might develop. "We are well aware of the the difficulties in European mergers," he commented, "and will proceed with caution."

Alan Harper

Lord Blakenham, chairman of Pearson, announcing the group's results at yesterday's press conference

Blood drawn as shareholders savage Blue Arrow's board

By Vanessa Houlder

WITH SUCH formidable boardroom rivals as chairman Mr Tony Berry and chief executive Mr Mitchell Fromstein sharing the stage, the annual general meeting of Blue Arrow, the largest employment agency in the world, always promised to be a spectacular affair.

But the tense and tumultuous meeting that took place in the Savoy's elegant ballroom yesterday surpassed any of its shareholders' expectations.

The totally unforseen disclosure of a mysterious £25m loan, the news of a past bid approach, and the refusal to re-elect the hapless director Mr John Sharkey all ensured that the meeting was a memorable one.

But, more than that, it was remarkable for a series of virtuoso performances from shareholders that made the meeting intensely uncomfortable for many of the directors involved.

The star performer was undoubtedly Mr Michael Ashcroft, the mercurial, and usually elusive, chairman of the industrial services conglomerate ADT.

As a major shareholder and a friend of Mr Berry, his questions were well-informed, sharp and unabashedly critical.

His cross-examination soon scored victories - namely the revelation of the £25m loan and news that a bid approach (albeit not at a specific price) had been made.

But these answers were only elicited after fierce bouts of questioning, which prompted a much-applauded denunciation of Mr Fromstein's lack of directness. "With respect," Mr Ashcroft reminded the board, "we are owners of the company."

This refrain was taken up by Ms Elsie Lee, another combative and eloquent shareholder, when she was denied further information on the loan.

But she drew blood when she questioned the nature of Mr Sharkey's current employment in the company, following a recent press report which said his calls were being handled by the switchboard.

"I would have thought a company with the largest employment agency in the world would be able to afford a secretary for Mr Sharkey," she said wryly.

The question of if and when Mr Sharkey was suspended from executive duties was tossed around, receiving subtly different answers from Mr Berry and Mr Fromstein. Eventually however, it emerged that Mr Sharkey's contract was terminated after his role was effectively destroyed by Mr Fromstein.

The revelation that Mr Sharkey was paid £220,000 even though he was asked to remain a non-executive created uproar. Speaker after speaker claimed that a payment to someone who resigned was totally inappropriate.

These attacks prompted Mr Fromstein to give a rousing speech in Mr Sharkey's defence. After "hipshooting" questions from the audience had proper justice been done, he wondered, to Mr Sharkey?

"The company is going to look far and wide before it finds someone who is as good as John Sharkey," he predicted.

The meeting climaxed with Mr Sharkey's rejection by the shareholders. But although he suffered perhaps the greatest humiliation of the meeting, few of those on the podium escaped the sharp tongue of Mr Ashcroft. The rifts in the boardroom had been so great, he reasoned, that everyone should resign with the exception of Mr Dennis Stevenson and Mr Fromstein.

In particular, he cast doubt on the effectiveness of the non-executive directors, represented by Mr Michael Davis and Mr Norman Tebbit (who, it emerged, was absent due to a previous engagement in San Diego yesterday).

As he told Mr Berry: "Mr Davis and Mr Tebbit have marched you up to the top of the hill and thrown you over the top and marched down to the bottom of the hill and buried Mr Fromstein. They would find it difficult to march back up to the top to do anything at all."

See Lex

Alan Harper

Mitchell Fromstein, chief executive of Blue Arrow, and Tony Berry, chairman, at yesterday's annual meeting

Swiss Saurer-Gruppe takes interest in Unitech

By Hugo Dixon

SAURER-Gruppe Holding, the Swiss engineering and financial services company which has bought 6.4 per cent of UK electronic components manufacturer Unitech in association with a group of six other companies led by Mr Tito Tettamanti, S-G's majority shareholder, has refused to commit itself over its intentions towards the company.

When the build-up of the stake was announced last Friday, there was speculation that it could be the prelude to a bid for Unitech.

Mr Ernst Kessler, SGH's finance director, said its plan was "probably not to further increase it (the stake) for the moment."

Mr Kessler said the stake had not been bought because of any industrial synergy with SGH, but because it came under the third aspect of its business, which involves taking strategic shares in other companies.

The 6.4 per cent stake has been built up by Mr Tettamanti, SGH and six other companies. Mr Kessler said there was certainly some coordination in their activities. The group had written to Mr Peter Curry, Unitech's chairman, and wanted to meet him to explain its intentions.

ICI Canadian assets

CIL INC, the Canadian arm of ICI, is selling more assets. AT Plastics Inc, formed by the management group, is buying CIL Polymers, a resin producer, plus film and packaging interests for an undisclosed sum.

The business CIL is selling have total annual sales of around C$200m.

Blue Circle to sell Birmid's foundry side

Blue Circle plans to sell the foundry interests of Birmid Qualcast, the home products group which last October came under the control of the diversified cement company after a heated battle, writes Ray Bashford.

The decision to dispose of the foundries follows a review of Birmid's operations and is inline with the strategy outlined when Blue Circle launched its hostile bid in December 1987.

The sale will leave the way clear for development of Birmid's consumer products operations, which constitute about two-thirds of group turnover.

Mr Peter Prateley, the former chief executive of Birmid who has joined Blue Circle's board, said talks were taking place with several groups.

Last year foundries returned pre-tax profits of £7.6m on turnover of £96m.

TR hopes to clinch deal and stop speculation

By Nikki Tait

TOUCHE REMNANT, the unquoted fund management group, is moving close to a deal which would remove the current uncertainties over its future. Although matters have yet to be finalised, it may be a matter of days only.

The group has been subject to much speculation recently. Shares in Touche Remnant have traditionally been owned by individual investment trusts which the company manages. A number of these, however, have come under threat, and have been either taken over or reorganised.

Other trusts have a pre-emptive right to acquire the shares held in the fund management company in such an event. However, last August Touche brought in American insurance group, Liberty Mutual, as its first external stakeholder, with the trusts allowing it to acquire 15 per cent of the management group.

Instability resurfaced in the autumn when TR Industrial & General, the group's largest flagship trust — and also the largest shareholder in Touche Remnant, itself — was acquired by the British Coal Pension Funds.

The company confirmed last year that it had asked Phoenix Securites, the Morgan Grenfell subsidiary, to advise on its shareholding structure.

Elys up 13%

Elys (Wimbledon), department store retailer, reported taxable profits 13 ahead per cent to £805,000 in the 12 months to January 28 1989. Turnover, including VAT, rose from £10.44m to £11.11m. Earnings per share worked through at 43.6p, against 38.7p last time. The recommended final dividend is 12.5p giving 13.5p (12p) for the year.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
African Lakes	fin	2	-	1.5	2	1.5
Arnotts	fin	7.5	-	7.5	12	12
Bray Tech ☆	fin	3	-	2.7	4.4	3.9
Edmond Holdings	fin	1.2	May 26	0.82	1.7	0.8
Elys (Wimbledon)	fin	12.5	-	11	13.5	12
Gibbs and Dandy	fin	1.75	-	1.6	2.75	2.6
Globe & Phoenix	fin	1.25	-	1.25	1.25	1.25
Headlam Sims	fin	1.25†	-	1	2	1
Ldn & Edinburgh	fin	2.5	-	1.25	4	2
Pearson	fin	10.5†	June 2	9	18	15
Rockfort Group	fin	2.6	May 25	-	2.6	-
S'field-Reeve §	fin	2	May 26	-	2.75	-
Steetley	fin	7.5†	June 2	6	11.5	9.25
UDO Holdings	int	0.9	June 6	0.72	-	2.43
Watts Blake	fin	5.1	July 3	4.15	7.4	6.15
Wilkes (James)	fin	4.25	-	3.75	7.75	7.05

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Shares traded on Granville Independent Companies Exchange.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- AB Electronic, China & Eastern.

Finals- Alexandra Workwear, Baillie Gifford Tech, Belhaven, Boustead, Brammer, British Alcan Aluminium, Cambridge Isotope, Co-operative Bank, ERA, Geers Gross, Hornby, Johnston, MTM, Meggit, Needlers, Silentnight, Swallowfield, T & S, TT Group, Tronoh Mines Malaysia.

FUTURE DATES

Interims-	
Adwest	Apr 11
Cradley Print	Apr 17
Maxiprint	Apr 7
Sonic Tape	Apr 5
Watson & Philip	Jun 14
Finals-	
Associated Fisheries	Apr 13
Atlas Converting Equipmnt	Apr 19
Connells Estate Agents	Apr 12
Helene	Apr 12
Hewden-Stuart	Apr 12
Lanca	Apr 10
Lec Refrigeration	Apr 5
Oliver (George)(Footwear)	Apr 6
Proudfoot (Alexander)	Apr 10
Ratners	Apr 17
Smac	Apr 12
Sema	Apr 10
Tudor	Apr 13
Wace	Apr 11

UK COMPANY NEWS

Staying put at the halfway house

Paul Cheeseright on City concern about LET's future growth

LONDON & Edinburgh Trust is in a halfway house – half a property development company, half a property investment company. And it is likely to stay that way.

"Ever since we floated (in 1983) we've been criticised for lack of assets. It's been a major objective to improve the assets. Building up the balance sheet is as important as income," Mr John Beckwith, the chairman, said yesterday. But, he added, "it's important to have decent profitability."

Indeed, one of the reasons why LET diversified into financial services through Rutland Trust and bought the Owen Owen department store chain, now injected into a joint company set up with Storehouse, was to establish a stronger cashflow.

LET is a hybrid, although the stock market tends to see it more in property development terms than any other and rates it accordingly. That is, it does not like it very much. Not, in any case, that it has been very fond of property development companies since the 1987 crash.

London & Edinburgh Trust, which is run by the Beckwith brothers, yesterday announced that pre-tax profits for the 1988 had risen by 46 per cent to £50.4m.

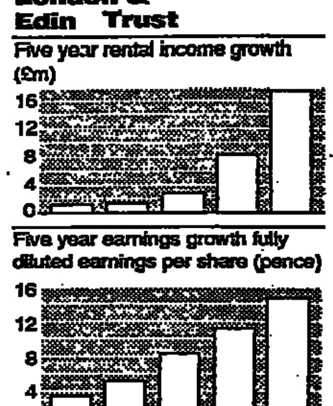
Earnings rose by a third to 14.9p and a final dividend of 2.5p doubles the year's total to 4p.

The group's investment property portfolio increased 43 per cent in value last year to £367m.

Its development programme will provide 18m square feet of commercial space.

Mr John Beckwith, the chairman, said: "The foundations have been laid to enable LET to pursue its global ambitions."

London & Edin Trust



When the group announced figures which were broadly in line with expectations, it was on a price-earnings ratio of 9.7. The sector average is 22.8. Scarcely then, a pricey stock.

In the view of Phillips & Drew, stockbrokers, the market, while accepting that LET has a good track record and is fast enough on its feet to grip opportunities as they pass, is confused about where continued profits growth will come from.

More particularly, the stock market is now edgy about the retail sector – where LET has consciously been increasing its exposure – and the City of London property market – where LET's main future involvement is in the redevelopment of the old Spitalfields fruit and flower market.

The LET response to such apprehension would be that the retail sector has historically been strong, especially in town centres where most of its interests lie, and that Spitalfields will not be completed until well into the 1990s, when the property market will be in a new cycle.

At any rate there was little reaction on the market to the figures, despite their significance in terms of the group's progress. Here, the most telling factor for the market was the doubling of rental income – accounting now for roughly a third of pre-tax profits. It should pass £21m this year.

This is the sign of assets building up as the group strengthens. Originally, LET sought to retain one of every five developments it completed. Now it is managing to hold two in every five.

Such retentions have begun to come through in the net asset value per share. Fully diluted the assets are worth 139p a share, compared with 97p at the end of 1987. With further developments coming through, they should rise to at least 175p in the current year against a market price yesterday of 146p.

Growth this year is not likely to be as fast as in 1988. Few in the property industry expect the rise in property values to be as extensive as the last couple of years. This would suggest that LET's diversification will look more important in the next set of full year figures.

The diversification has been towards financial services, where the main arm, Rutland Trust, doubled 1988 pre-tax profits to £12m, and towards leisure which is run in with retail developments. The group wants a quarter of its pre-tax profits to come from diversified activities in the next two or three years compared with less than a fifth now.

But the main business will remain property and here the most significant diversification, built up over the last three years, has been overseas. Measured by square feet, 40 per cent of LET's development programme is overseas – 20 per cent in the US, 1 per cent in the Far East (a site has just been bought in Singapore) and 19 per cent in continental Europe.

LET has been active in France for some time but is expanding into Germany and Spain. With its business park activities – Roissy, outside Paris, for example – it hopes to provide accomodation for British and American companies who are already customers from the UK. But it always works with local developers holding an equity stake

Such geographical diversification is designed to offer protection against any downturn in the UK market, along the lines that Hammerson has followed for two decades. But there has, in many cases, been some battening down of the financial hatches.

The Government's squeeze on the economy through higher interest rates makes life uncomfortable for LET but a series of swap programmes has left it with most of its debt at a fixed rate.

Gold Fields final arguments today

By Kenneth Gooding, Mining Correspondent

CONSOLIDATED Gold Fields, the UK diversified mining group, is expected today to present its final arguments to shareholders urging them to reject the £3.2bn hostile bid from Minorco, the South African-controlled investment company.

The defence document is expected to contain some surprises because Gold Fields believes there is a good chance that Minorco will increase its offer at the very last moment.

However, Gold Fields is likely to follow the policy it established in earlier documents and, rather than providing firm forecasts or asset valuations, will give information from which shareholders and analysts can draw their own conclusions about the group's value and earning potential.

Minorco is thought to have arranged a board meeting for the end of this week to consider its options in the light of the injunction imposed by a New York court which effectively prevents it buying any more Gold Fields' shares.

One option would be for Minorco to make a revised, "knock-out" offer in the hope of flushing out a significant number of acceptances. These could then be used to put pressure on the Gold Fields' directors to withdraw the New York action.

Gold Fields would also have to persuade its 49 per cent-owned associate, Newmont Mining of the US, to withdraw its separate court action before the injunction could be removed.

The UK Takeover Panel yesterday, as expected, turned down Minorco's formal request for an extension to the bid to allow time for the New York litigation to be completed.

Minorco has until April 12 at the latest to lift its offer. The bid would lapse if Minorco had not received enough acceptances to take its current near-30 per cent shareholding above 50 per cent by April 25.

UEI in bid talks with Unitel Video of US

By Nikki Tait

UEI, the high technology electronics and engineering group, is in bid talks with Unitel Video, a US company specialising in post-production services, television and video facilities and services.

The company announced the acquisition of a 21 per cent interest in Unitel Video last month, with an option to acquire a further 27 per cent. Yesterday, it said that it had filed a document with the US Securities and Exchange Commission statingthat it had commenced discussions with a view to a possible merger.

UEI bought its shares in the group, which is quoted on the American market, at $14 each, and the option over the 27 per cent - which represents shares held by the Unitel Video's president and chief executive - at the same price. Negotiations over the potential offer to all shareholders envisage a similarly-priced bid.

If an offer was made at $14 a share, the US company would be capitalised at around $32m.

Unitel has its headquarters in New York and operating divisions in New York - where it runs five television studios - Hollywood, Orlando (Florida) and Pittsburgh. In the year to end-August, it made pre-tax profits of $2.2m on sales of $33.6m.

UEI says that the acquisition, assuming it goes ahead, would represent its first step into services rather than equipment for the video/recording/film sector. However, it argues that this represents a "logical step".

Evode 'happy' after first close of Chamberlain bid

By Andrew Hill

EVODE, the plastics and chemicals company, yesterday extended its bid for Chamberlain Phipps, the shoe components and adhesives group, having received acceptances representing 6.03 per cent of the shares at the first closing date.

Chamberlain Phipps is also facing a bid from Bowater Industries, the packaging and industrial products group, and has yet to decide which of the suitors to recommend to shareholders. Bowater has built up a 9 per cent stake in its prey.

Evode's all-share offer, which has been extended until April 17, values each Chamberlain Phipps share at about 214p, compared with Bowater's cash bid of 220p per share, which reached its first closing date yesterday. Shares in Chamberlain Phipps were unchanged at 220p.

● Separately, Evode has announced the acquisition of Oxyplast, a New Zealand manufacturer of powder coatings, for up to £4.4m cash, and the sale of its 3.24 per cent stake in Evans Halshaw, the motor dealer, for £2.24m.

Headlam little changed

HEADLAM, Sims & Coggins, a distributor and converter of materials for footwear and other industries, recorded profits of £929,000 before tax for an 11 months period to end-December compared with £1.05m for the previous year.

Turnover was £22.67m (£23.84m) and operating profit £1.14m (£1.32m). After tax of £338,000 (£344,000),earnings per 5p share came out at 5.92p (7.09p).There is a proposed final dividend of 1.5p (1p) making 2p (1p).

Reed buys Mardev

Reed International has acquired Mardev, one of Europe's leading direct mail list brokers. Mardev will be managed jointly with the existing Reed database and direct mail services operations.

Bray Technologies

Bray Technologies, a specialist manufacturer of gas and oil burners, manifolds and electrical heating equipment, experienced a profits downturn from £1.2m to £1.01m for the 1988 year. Turnover improved by £1.74m to £11.97m.

The company blamed high interest rates, a strong pound, increases in raw material prices and the exceptionally mild winter weather for the downturn.

Earnings amounted to 11.32p (13.75p). A final dividend of 3p makes a total of 4.4p (3.9p). The company's shares are traded on the Granville Independent Companies Exchange.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Kells Minerals (Section: Third Market)

UTC Pref. (Trusts, Finance, Land)

Eliminating Information Gaps in the Specialist Financial Sphere

No matter how specialised you are.

No matter how deep you delve.

There always seems to be a gap, some uncharted territory, in your knowledge.

A daily read of these very pages will certainly help paper over the cracks.

But to plug the holes requires highly specialised in-depth analysis.

The sort of information found in the comprehensive range of books listed in the Butterworths Financial Index.

The subject matter of each book borders on the esoteric.

The information presented therein is exhaustive.

As is borne out by this passage from Corporate Finance (Sabine, £42.00).

"Strategic planning demands that the key people in ... instru- mental ... the year. T... n the m... partic... framewo... highlight the a...

str... curren... ed more by ... y the supply of finance."

About the authors

The Butterworths Financial Index is extremely specialised. The choice of authors is highly selective.

Not for Butterworths the learned academic, trapped in his ivory tower.

The vast majority of Butterworth authors are active top-drawer financial practitioners.

Arthur Andersen, Bankers Trust International, Cadbury-Schweppes and Salomon Brothers are just some of the sources that have provided Butterworth writers.

Only with such experience could this penetrating analysis from Euronotes and Euro-Commercial Paper (Bullock, £38.00) be written.

... rmism. the ... atchets ... e ... is ... ept of risk c... term investor."

Around the world

The financial market is not confined to the UK, neither is its publisher.

The Butterworths Financial Index covers many international subjects in detail. Included are books that are specific to major commercial centres throughout the world.

Butterworths also has publishing companies in Asia, Australasia, Canada, Germany and the United States. So that information published about these areas is from ground level – not thousands of miles away.

Butterworths' global information expertise is exemplified in this telling quote from Country Risk Analysis (Calverley, £35.00).

"Viewed fr... inter... th... nc... inte... place its LIBOR st... (realising a ¼% per annum gain)."

Publisher to the professions

Butterworths has long served the needs of the professions.

(Since 1818 in fact.)

Today, a legal practice could hardly practise without the Butterworth name on its bookshelves.

Much the same applies to accountants.

While architects, dentists, doctors, engineers, optometrists, scientists and surgeons all rely on our works.

Where information is required to solve problems, where general principles must be applied to specific circumstances, Butterworths is the professional's choice.

This is an ... bsolute ... , just ... will be ... ed.

Sealed, signed and delivered

The Butterworths Financial Index is a list of over 50 titles covering a wide range of specialised financial practices.

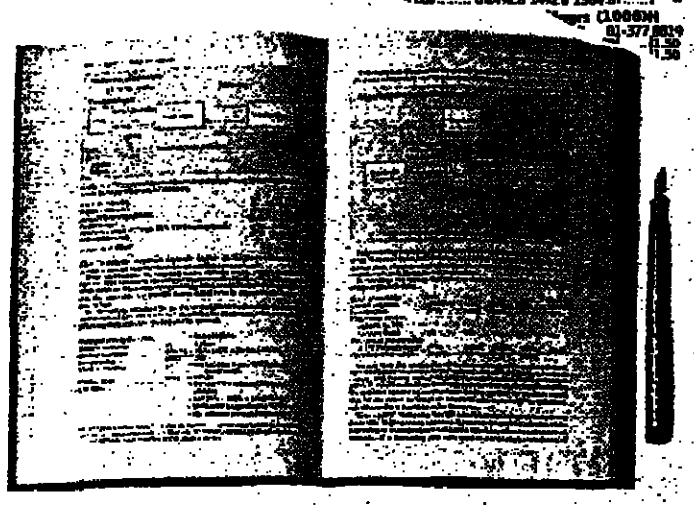
For your free copy of the Index, please complete and send this coupon.

Alternatively, please telephone Gisele Cole on the FREEPHONE Financial Hotline **0800 525770.**

On Real Estate Finance (Barter, £50.00).

"...even to someone who lives everyday in the forest, it has helped me see some of the trees more clearly."

Sir Christopher Benson FRICS, Chairman, MEPC plc.



Detail from Currency and Interest Rate Swaps (Price and Henderson, £40.00).

To Gisele Cole, Butterworths, Borough Green, Sevenoaks, Kent TN15 8PH.

Please fill me in on how to eliminate the information gaps and forward my copy of the Butterworths Financial Index.

Name________
Position/Dept.________
Company________
Address________
________ **Postcode**________
Telephone No.________

BUTTERWORTHS — THE FINANCIAL PROFESSIONAL'S PUBLISHER

UK COMPANY NEWS

Strong demand boosts Watts Blake to £7.5m

By John Ridding

STRONG DEMAND lifted taxable profits by 15 per cent to £7.52m for 1988 at industrial clay producer Watts, Blake, Bearne.

WBB has also announced its first move into the US market with the $7.32m (£4.31m) acquisition of the ball clay business of Cyprus Minerals.

The business will form a new division, United Clays, and makes WBB the third largest producer of ball clays - the type of clay used for making toilets and sanitaryware - in the US.

In 1988, WBB's turnover grew by 10 per cent to £42.04m and margins also improved, reflecting increased demand and improved prices. Earnings per share increased 14 per cent to 24.67p and a final dividend of 5.1p (4.15p) gives a total for the year of 7.4p (6.15p).

Mr Henry Cottrell, chairman, said UK operations dominated both turnover and profits last year with the Devon clay business contributing approximately two-thirds of total sales.

Conditions were more difficult in West Germany where competition was tougher and where a flat construction market limited sales to brick manufacturers.

Nonetheless, exports had still performed well due to strong demand for floor tiles from Italy. He added that the translation of profits back into sterling reduced profits by about £120,000.

The group's small Far Eastern division - joint ventures in Thailand and in China - returned a net loss although a small profit was recorded in the former.

Mr Cottrell said that the US acquisition was strategically important to WBB "in that for a relatively small investment it establishes the group in the US in its core clay minerals business."

Last year, the Cyprus business reported sales of $3.12m, with around 20 per cent provided by exports to Mexico and Canada. No separate pre-tax profit figures were available but WBB estimates them at £650,000 before selling and administration expenses in the year to the end of 1988. The net value of the tangible assets was put at £3.29m.

● COMMENT

The strong markets which pushed WBB to the top of City expectations last year have continued. This, combined with the mild winter, has given the group a good start in 1989. However, another combination - the higher pound, inflation and interest rates - may provide a constraint. With two-thirds of UK ball clay production exported, the group is obviously vulnerable, although in the case of interest rates protection is provided by the fact that WBB performs at the end of the business cycle. Consequently, the expected impact from the construction slowdown is unlikely to surface this year. The US acquisition seems a shrewd buy, complementing the group's existing activities and providing a strategic entry into that market, estimated at £25m. More uncertain are the prospects in Germany where WBB, like its competitors, has increased capacity in what is already a difficult market. Overall, analysts expect a continuation of the group's steady performance with profits in the region of £8.4m. The prospective multiple of 13 which this implies is relatively high, reflecting a good record of returns and management and more than a dash of bid speculation.

Card kick-off for Systems Reliability

By John Thornhill

SYSTEMS Reliability Holdings, the telephone systems and computer dealing company, is aiming to cash in on the Government's plans to control entry to football grounds.

It announced yesterday that it was buying a 90 per cent stake in Aquix Holdings, which makes identity cards and access control systems, at a cost of £800,000 in shares. The remaining 10 per cent will be held by Mr Malcolm Davis, Aquix managing director, and two other individual shareholders.

In the last four years, the Lincoln-based Aquix has spent £1m on developing electronic systems. Its Incard system, which incorporates identity cards, can be used to reserve tickets and operate turnstiles and has the facility to refuse entry to known trouble-makers.

Five football clubs have already agreed to operate the full control system to enforce a members-only admission scheme. A further nine clubs are using a variation of the system.

Aquix has also developed electronic point of sale (EPOS) equipment, which is used in the retail, distribution and leisure industries.

Mr Robert Evans, SRH chairman and chief executive, said that both of Aquix's businesses would fit in well with SRH's existing interests and would benefit from its sales and marketing skills.

The national football membership scheme offered an exciting opportunity for the combined group, he said. "Aquix has as good a chance as anyone of winning the tender."

It is expected that the Football League will decide on a prime contractor for the scheme this summer.

Speyhawk clears £35m of debt via property sale

By Paul Cheeseright, Property Correspondent

SPEYHAWK, the property development group, has sold an office building it bought last year to a group of Japanese institutions - but just for 10 years.

This clears off £35m of Speyhawk debt and allows the company to retain capital growth in the property.

The arrangement is effectively a refinancing of an office property, at Pentonville Road, near Kings Cross station in London, that Speyhawk bought in September 1988 for £43m, using £35m of borrowed money from Citibank.

The building is leased to National Westminster Bank for the next 46 years.

The structure of the deal is a further example of the innovative financing techniques which are being used by property companies to fund both developments and investments.

Kleinwort Benson, the London merchant bank, found a group of Japanese institutions willing to invest in the property.

This group established a company called Kings Cross House.

To buy the building, Kings Cross House is issuing £55m of 10-year bonds carrying 12.1 per cent interest which are being listed on the Luxembourg Stock Exchange.

Of this sum £45m will go to Speyhawk to buy the building, allowing it to clear its Citibank debt. The remaining funds will subsidise the interest payments until rents reach a high enough level to cover the payments.

Speyhawk itself is leaving £5m in the company, but has the ability to acquire the company or the property at any time. This allows it to obtain a measure of the building's capital growth for a relatively small investment.

The building has recently been valued at £49m, or £6m more than Speyhawk paid for it six months ago.

National Westminster is currently paying a rent of £10 per sq ft, exceptionally low for a building in central London. But there is a rent review next December.

Blenheim first move into US

By Vanessa Houlder

BLENHEIM EXHIBITIONS, the USM-traded group, yesterday announced its first move into the US with a $3.08m (£1.8m) acquisition of a group of franchise exhibitions.

It has bought the Don Palladeno Franchise Show, which organises 40 shows per year in major cities throughout the US.

Gross trading profits before tax and directors' salaries in the 11 months to November 1988 were $1.35m.

Blenheim has set up a new Delaware-based subsidiary, which will become the US holding company for the new business and for further US acquisitions which are being sought.

The management team installed by Blenheim has subscribed for £366,500 per cent convertible unsecured loan stock.

Mr Lawrie Lewis, chief executive of the USM-quoted group, said that the deal would make the company the largest franchise exhibition organiser in France, the UK and the US.

The exhibitions would complement each other in that they provided an opportunity to introduce US franchisers to the European market and vice versa, he said.

News Digest

CLIFFORDS FOODS

Profits rise to over £6m for year

CLIFFORDS Foods, a processor and distributor of milk, milk-based products, fruit juices and drinks, raised profits before tax for 1988 by £1.12m to £6.15m and its turnover from £108.6m to £124.63m.

Profits were struck after providing £256,000 (nil) to the staff profit sharing scheme and taking account of a rise in interest charges to £545,000 (£502,000). The contribution from associated companies slipped to £160,000 (£173,000).

Dividend for the year is being lifted from 8.8p to 10p via a recommended final of 6.4p.

GIBBS AND DANDY

Downturn in second half

Gibbs and Dandy, the Luton-based builders' merchant, was adversely affected by increased mortgage and interest costs during the second six months of 1988 and for the full 12 months suffered a profits downturn of £127,000 to £913,000 pre-tax.

The opening six months had benefited from better weather and buoyant conditions in the construction industry with profits for the period ahead by some 18 per cent to £452,000.

For the year turnover totalled £24.19m (£22.45m). Earnings edged ahead to 7.8p (7.6p) and the dividend is being increased marginally from 2.6p to 2.76p via a final of 1.75p.

CLINTON CARDS

Unveils a 63% increase

In its first figures since coming to the USM last April, Clinton Cards, the specialist greeting card retailer, unveiled a 63 per cent expansion in pre-tax profits.

The outcome, up from £1.52m to £2.51m, was posted on turnover, excluding VAT, of £20.8m (£13.18m). Earnings per 10p share were hoisted 44 per cent to 12.84p and the proposed final dividend is 2.53p for a total of 3.53p.

AMERICAN TRUST

Rise to near £5m in profit

American Trust achieved a substantial rise in income for the year ended January 31 1989, and is lifting its dividend from 3.4p to 3.9p, with a final of 2.65p.

The profit was up from £4.2m to £4.82m, subject to tax of £1.52m (£1.36m).

ANGLO-EASTERN

Profit doubled at £810,000

Anglo-Eastern Plantations, a holding company for Indonesian rubber, cocoa and palm oil plantations, reported taxable profits of £810,000 for 1988. The result compared with profits of £427,000 last time and came on turnover of £2.07m (£1.51m). Earnings per share were 2.5p (1p). No dividend is proposed.

R&H HALL

Expansion to over I£3m

R&H Hall, a Cork-based grain merchant, raised its profits before tax from I£2.72m to I£3.14m (£2.6m) for 1988. Turnover pushed ahead from I£160.63m to I£182.04.

Tax accounted for £675,000 (£576,000). Earnings emerged at 14.09p (12.72p). The dividend for the year is being increased to 5p (4.6p)

Steetley pushes ahead 40% to £92m

By Andrew Taylor, Construction Correspondent

STEETLEY the British building materials which last year spent about £60m expanding its quarrying and concrete businesses in France and Spain increased pre-tax profits by 40 per cent to £92.5m in the 12 months to the end of December.

Profits after interest payments were 45 per cent higher at £87.44m. Turnover rose from £486.63m to £524.68m.

Mr Richard Miles, managing director, said the group was looking at other possible acquisition's in Spain, Europe's fastest growing construction market. Further purchases in France were also likely.

Steetley's was placing greater emphasis on Continental expansion in the run-up to 1992 when European Community trade barriers were to be dismantled.

French profits which rose last year from £6.73m to £14.75m accounted for 16 per cent of group profits in 1988 compared with just over 10 per cent the previous year. Steetley following its purchase of La Meilleraie quarries was France's largest aggregates producer.

Profits from the rest of the Continent and the Middle East, mostly from Spain rose from £1.14m to £3.5m. US profits rose from £2.49m to £4.32m. Canadian profits were only lower at £7.9m (£10.71m) because a number of businesses had been discontinued, said Mr Miles.

UK profits, of which bricks provides a large slice, rose by 38 per cent to £62m accounting for just over 70 per cent of group profits last year. The group's brick manufacturing capacity in the UK had risen by a quarter during the last two year to 480m bricks a year.

Steetley said that 30 per cent of its UK profit was sensitive to the new housing market but the bulk of its brick operations were in the Midlands and the North which have been less affected by falling house sales. "So far this year we have not had to build on brick for stock," said Mr Miles.

Steetley's bricks tiles and concrete products division increased pre-tax profits worldwide from £21.98m to £36.64m, a rise of 57 per cent. Profits from quarries rose from £27.93m to £43.79m.

Earnings per share rose from 30.15p to 40.1p. A final dividend of 7.5p (6p) makes 11.5p (9.25p) for the year.

● COMMENT

A strong performance, with all of its remaining businesses increasing profits last year, pleased the market and Steetley's share price rose by 13p to 426p. Only a fifth of the group's profits worldwide depend on new housebuilding in the UK where Steetley's presence in the north and the mildlands should stand it in good stead. Moreover, the UK brick markets for refurbishment and industrial and commercial developments, are still going great guns. Steetley, through its quarries, is also well placed at the heavier end of the UK building materials market which should continue to show solid growth. Operating margins in the UK of more than 17 per cent, however, will be difficult to improve. By comparison there is lot more to shoot at on the Continent where Steetley despite being market leader still has only 7 per cent of the French aggregates market. A PE of 9.5 on pre-tax profits of £105m would put Steetley at the upper end of the ratings for building material companies where it deserves to be.

UDO lifted by wider customer base

UDO Holdings, the Slough-based drawing and reprographic equipment supplier and manufacturer, lifted pre-tax profits from £2.69m to £3.22m in the six months to end-January 1989.

Mr Terry Rutter, due to retire as chairman in July, said that demand for reprographic services had expanded from the previous concentration in London to encompass regional centres. Distribution centres had been set up and the catalogue introduced about a year ago had served to heighten customer awareness of the group's product range.

Turnover declined slightly to £28.38m (£29.58m). Mr Rutter attributed the fall to the disposal of loss-making operations and the elimination of products where margins were unacceptable.

Mr Rutter said the results reflected the strengthening of the group's position in all sectors of the market and the industry. There was still "considerable potential" for growth both organically and by acquisition, he added.

After tax of £1.13m (£943,000), earnings per 10p share rose to 7.4p (6.3p). The declared interim dividend is 0.9p (0.72p).

South Africans join board of S W Wood on acquisition trail

By Andrew Hill

TWO South African brothers are to join the board of S W Wood, the metal trader, aluminium smelter and property developer, and aim to expand the company through acquisitions.

A group of investors headed by Robin and Nigel Matthews has bought 26.7 per cent of the company from a family trust controlled by Mr Jeremy Taylor, currently Wood's non-executive chairman. Mr Robin Matthews will become executive chairman in his place.

The Matthews brothers are the latest in a long line of businessmen with South African roots who have turned to the UK for investment opportunities.

Robin Matthews (left), executive chairman, and Nigel Matthews,director, of SW Wood.

Others include Mr Bruce McInnes, chairman and chief executive of Charles Baynes, and Mr Darryl Phillips, Acsis Group's chairman.

Many of the introductions have been made by Hambros Bank, which also advised on the Matthews/Wood deal.

The brothers are joint chairmen of Klipton, an industrial holding company listed on the Johannesburg Stock Exchange.

They said yesterday that Wood's acquisition programme would focus on private companies in fields similar to Klipton's – in particular the manufacture, marketing and distribution of industrial products.

In 1987, Mr Taylor, a venture capitalist, and Mr Peter Rae – who remains as Wood's managing director – reversed Braemar Commodities, an international metal trading group, into Wood.

Since then, the company has improved from profits of £182,000 before tax in 1986-87, to £1.51m in the year to March 31, 1988. Wood is forecast to make about £2.2m before tax in the year just ended.

Mr Taylor will remain as a director and continue to hold a 10 per cent stake in the company.

Trusts controlled by the Matthews brothers will hold about 35 per cent of the 2.09m shares bought, and institutional investors, such as Schroders and Foreign & Colonial Investment Trust, picked up the balance.

Other institutions involved include Henderson Group, English and Scottish Investors and City Group.

The investor group bought the shares at 160p each, compared with yesterday's closing price of 192p, up 15p.

Compass set to expand its health interests

By John Thornhill

COMPASS Group, the contract catering, health care and building services group, is set to expand its interests in the health sector having made a £3.7m recommended offer for the Winterbourne Hospital in Dorchester.

This follows last month's £12.5m acquisition of Health Care Services, a USM-quoted operator of hospitals, nursing homes and a medical staff agency.

The Winterbourne Hospital, established in 1982, has 31 beds for acute patients and two operating theatres. It also has x-ray, physiotherapy and pathology departments, consulting rooms, hydrotherapy and health-screening facilities. Compass already owns eight other private hospitals.

In the year to January 1 1989, Winterbourne made pre-tax profits of £173,000 on turnover of £1.6m. At that date, it had net assets of £1.3m.

The offer involves the issue of up to 1m Compass shares on the basis of 22 for every 19 Winterbourne shares. There is also a cash offer, which values Winterbourne's shares at 425p each, or a loan note alternative.

Compass, which was formed in July 1987 after a management buy-out of the contract services division from Grand Metropolitan, has targeted the health services sector as an attractive area of expansion following the Government's recent NHS initiatives.

Mr Francis Mackay, Compass Group's finance director, said yesterday: "It is a super market and we want to grow it further when the opportunities arise."

James Wilkes over £1m

JAMES WILKES, manufacturer of promotional products, printing machines and equipment, increased its 1988 pre-tax profit by 44 per cent, from £917,000 to £1.32m, on turnover which was up by a third at £9.2m.

The results included four months contribution from Waterlomat SA, acquired in August 1988, and one month from Peter Stubs. There was also an extraordinary profit of £6.6m.

Tax of £415,000 (£333,000) left earnings at 18.4p (14p), an increase of 31 per cent. A final dividend of 4.25p, against a forecast of 4p, makes a total of 7.75p (7.05p).

Edmond profits sharply higher to near £5m

By Graham Deller

SUBSTANTIAL demand for houses in its home patch of Humberside and North Yorkshire helped Edmond Holdings unveil pre-tax profits sharply higher at £4.89m in 1988.

The advance from £1.61m was struck on turnover ahead 22 per cent at £19.07m (£15.62m).

Edmond's land bank currently stands at 1,600 plots with an estimated market value of over £10m. This, said Mr Andrew Naish, chairman, gave the group "a much improved position from which to negotiate".

Aside from its heartland in the north-east, Edmond also operates in the Midlands and East Anglia. Mr Naish said that the group's southern areas saw a significant increase in prices during the year under review. These "had stablised at a level which was producing a continuing quality of profits in the current year", he stated.

Construction in south Wales was due to commence during 1989 on plots held by the group for several years. However, there were no plans to expand into the troubled south-east of England, Mr Naish said.

Tax took £1.51m, up from £537,000 last time, leaving earnings of 6.71p (2.18p) per 10p share. The recommended final dividend is raised to 1.2p – an increase of 94 per cent – making a total of 1.7p (0.8p) for the year.

Euro Equities divests from Oceonics Group

By John Thornhill

EURO EQUITIES, the investment company which last year formed part of the consortium that injected £7.25m into the troubled Oceonics Group, has sold its remaining 21.7 per cent holding in the marine and defence electronics company.

The shares are believed to have been sold at market value. At yesterday's closing price of 20p, this would have generated about £4.75m.

The buyers of Oceonics shares are a group of institutional investors which have told Oceonics that they intend to retain a long-term holding in the company. Mr Tony Bryan, chairman, welcomed their involvement and said that this showed their support and confidence in the future of the group.

COMMODITIES AND AGRICULTURE

Norsk Hydro announces North Sea oil discovery

Karen Fossli in Oslo

NORSK HYDRO, Norway's largest publicly-quoted company, announced yesterday that it had made a commercial oil discovery off mid-Norway in the so-called Haltenbanken area.

Several oil development projects are currently under way in the area, on which more attention is being focussed as production from southern fields declines. Hopes are being pinned on companies finding enough oil in the Haltenbanken area to sustain production at the current level of 1.4m barrels a day or higher into the next century. Norwegian production is currently forecast to decline dramatically in the mid-1990s.

Norsk Hydro said that its latest well, the fifth drilled in the area, flowed a maximum rate of 1,923 cubic metres a day.

The company estimates oil reserves at 40m cu m, while gas reserves are estimated to total 10bn cubic metres.

Several offshore development concepts are being considered including a concrete floating production facility. Two additional wells are planned in the north-west and south-east parts of the two-quadrant oil field.

The oil company plans to lodge a statement of commerciality by 1991 with Norwegian authorities, which is required before development of the field can begin.

● The Norwegian Court of Labour Disputes is to rule today on the legality of a threatened 24-hour "political" strike by offshore platform radio workers from 6 am tomorrow. If it is allowed to go ahead, the strike would force Norwegian North Sea production to shut down for at least 24 hours. The strike-call results from oil companies' plans to for new technology which will force the redundancy of radio personnel. Potential strikers claim this would pose a threat to safety levels on offshore platforms. Mr Rolf Wiborg, a senior executive with Phillips Petroleum Norway, said lost oil production would eventually be made up but that Norway's biggest worry was the security of the gas exports to its main customers.

Oil use in generating likely to rise

By Maurice Samuelson

A MAJOR REPORT on the European oil market to-day predicts that oil could regain much of its share of the European electricity market, having been squeezed out following the price rises and supply disruptions of the 1970s.

The report, by the London-based Wharton Econometric Forecasting Associates, says this could happen by the year 2000 because of the rising surpluses of heavy fuel oil. It also envisages Middle East oil-producing nations buying shares in power stations in Britain and other European countries to secure long-term oil supply contracts.

Such a development would entail a significant reversal of the attempt by Western European nations and other industrialised countries to end their dependency on oil as a prime fuel for electricity generation.

It also involves sensitive environmental issues because of the sulphur in fuel oil.

According to Wharton, however, a return to this market offers the oil industry the most promising way of dealing with a surplus of heavy fuel oil which is likely to increase by 24m tonnes, more than 20 per cent of current production, by the end of the century.

By then, it believes the European electricity industry could absorb about 40m tonnes of heavy fuel oil

In Britain, this would intensify the dangers to the coal industry, which, says Mr Graham Wheale, one of the report's authors, stands to lose between a quarter and a half of its power station market to rival fuels and imported coal.

In Italy, power stations already import 10m tonnes a year of fuel oil from Saudia Arabia and Libya on long-term contract and a similar process could be hastened in Britain by electricity privatisation, and the possibility of oil producing countries buying shares in power companies.

The report is less controversial in its forecasts of European oil demand, which it sees as rising gently to the end of the century.

It also says the downstream oil industry is well prepared for the onset of the single European market in 1992 since it is already highly internationalised, with geographical rather than political barriers dictating the extent to which oil products move around the Continent.

European Oil Demand and Refining - A Regional Assessment 1988-2000; price £5,250; WEFA, 23 Lower Belgrave Street, London SW1W ONW.

Rubber talks focus on support price

By Wong Sulong in Kuala Lumpur

DELEGATES to the International Natural Rubber Organisation meeting here yesterday moved on to discussions on the operational aspects of the second rubber agreement, after concluding their final session on the first agreement over the weekend.

The important business to be thrashed out includes senior Inro appointments, the Inro budget and the upward revision of the buffer stock intervention price range.

While there are no changes in the positions of deputy executive director and buffer stock manager (both from the consumers's side), the post of executive director will pass on from Indonesia to Thailand. The Thai nominee is Mr Pong Sono, former deputy head of its agriculture ministry.

The revision of the Inro buffer stock price range is expected to be an issue of some contention. While both consumers and producers are in general agreement that the price should be revised upwards, they disagree over the amount.

Producers want the price to be increased by at least 5 per cent, as provided under the agreement, but consumers feel the increase should be less, as rubber prices peaked a year ago, and current prices are below the "may sell" level.

The current Inro price range is 150-270 Malaysian/Singapore cents a kilo with the reference price pegged at 201.66 cents.

Inro delegates have agreed to transfer all the assets of the first agreement, totalling 1,032m Ringgit ($378m) to the second agreement.

A sum of R830m in cash would be redistributed to members, while the remainder (cash and 4,000 tonnes of rubber stocks) would be retained until further decisions at the next council session.

Conference sources said some members, such as Britain, West Germany and the Soviet Union will get back their entire entitlement, while others, including the US, and France, which have complicated budgetary procedures, would keep theirs under a special account, to be used in any future cash call-ups.

Decline in base metals prices forecast

By Kenneth Gooding, Mining Correspondent

BASE METALS prices will continue to fall in the second half of this year but there is unlikely to be a collapse to the very low levels seen in the mid-1980s, says Shearson Lehman Hutton, the securities house, in its quarterly base metal review.

Copper is particularly vulnerable because high interest rates are cutting activity in its chief customer industries – automotive and construction.

Shearson predicts that copper metal output might rise by more than 4 per cent this year and mine production by even more.

That would allow a modest build-up of stocks as 1989 progresses and put a downward pressure on prices, which could ease to average about $2,300 a tonne in the last quarter of 1989 against the current $2,900.

Shearson suggests, however, that copper stocks remain relatively low so price volatility will be a feature of the second-half if there are any major supply disruptions.

In contrast to copper, zinc faces a continued period of solid growth in demand because of the car makers' sharply increasing use of galvanised steel.

There is scope for further zinc price advances in the short term from the current levels of about $1,650 a tonne, the review suggests. But in the second half prices might drift lower to average $1,550 in the fourth quarter.

Demand for nickel from its main user, the stainless steel industry, is likely to reach a cyclical peak in the middle of this year. This should produce a second-half surplus of supply and cause prices to ease to an average of $5.50 a lb in the final quarter from the present $6.85.

Shearson says the aluminium market is finely balanced and there is scope for prices to bounce above the $2,000 a tonne level in the short term from $1,500 currently. However, by the end of the year aluminium prices could be about $1,750 a tonne.

Lead prices, which already have been weakening, will remain under pressure for the rest of this year, the review adds.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	-5,775	to 137,975
Copper	+2,450	to 96,600
Lead	-1,375	to 41,250
Nickel	-24	to 3,396
Zinc	-1,525	to 41,125
Tin	+5	to 1,500
Silver (oz).	-798,000	to 11,776,000

Mixed blessing of an early spring

Behind the currently idyllic rural scene lie hard economic realities

A PAIR of lambs, seized by sudden hunger, gallop to their long-suffering mother; their heads disappear under her flanks as they grab a teat apiece and they almost lift her back legs off the ground in their enthusiasm. As the milk begins to flow into their gullets their tails wriggle in ecstasy.

Nearby two more twin lambs jump on to their mother's woolly back as she lies on the grass. Jumping down again, they lead a charge of a dozen or so of their contemporaries in a complicated race around the flock. The ewes munch contentedly.

It all takes place against a backdrop of fluffy clouds scudding across a blue sky, pale yellow primroses on the banks under the hedges and fluffy pussy-willows, bright blossom and green buds bursting from branches that have shown little sign of life since last November.

A farm in spring can be a most attractive place, even to a hard-bitten commercial type like me. Indeed at times like this it would be easy to lose track of economic considerations altogether – but not for long.

The lambing has in fact been better than average so far on our farm. The mild weather has helped of course, creating ideal conditions for turning the ewes and young lambs out on to fresh grass. Cold winters and late snows can cause intolerable stress even to strong lambs, in spite of their warm coats and instinct for survival.

A healthy lamb with a good milking mother will double its birth weight during its first three weeks, and with it its chances of survival. This therefore is the most critical period of its life and the reason why most lowland farmers bring their ewes into sheds for lambing and keep them in pens under close scrutiny for a few days after the event.

The target on our farm is to achieve an average of at least 1.7 lambs per ewe, and this year we will almost certainly exceed that by a fair margin.

If anything we have had almost too many triplets, which raise potential numbers reared but also cause a lot of work. Inevitably smaller and weaker than twins or singles when they are born, triplets are also faced with the dilemma of having mothers with only two teats. They have no concept of taking turns.

In practice this usually results in one of the three having to be bottle-fed several times a day until another ewe in the flock has a single lamb, at which point the shepherd attempts to persuade her to foster the disadvantaged triplet. It all takes time and patience, commodities which are in short supply when there are several hundred ewes to supervise and the shepherd has not had a full night's sleep for a month.

In any event our lambing is now more than two-thirds done and the number of twins, which are much-preferred, has been excellent. Those that have gone out to grass are thriving from the early growth of fodder. Our only real concern is for the future of the EC's sheep meat regime which is at present under review.

Over the past few years it has created relative security among Britain's sheep flocks by putting a bottom in the market for lambs. In so doing, it must be conceded, it has encouraged flock masters to increase ewe numbers and the cost of support has risen to what some politicians believe is an unacceptable level.

FARMER'S VIEWPOINT

By David Richardson

The Agriculture Committee of the European Parliament will attempt to reach a decision on its policy towards sheep on April 11 and the Council of Agriculture Ministers in Brussels have it on their agenda as part of the farm price package to be agreed for the next 12 months. Whatever is eventually decided UK sheep farmers are fairly sure it will be worse for them than the present regime.

Meanwhile on the arable side of the farm practical, rather than political, problems have dominated the last few days. Crops of autumn-sown wheat and barley are at least three weeks ahead of normal because of the early spring. But the unseasonably mild winter has left a legacy of rampant diseases and pests, most of which would not have survived more normal winter temperatures.

Some fields of wheat for instance are infected with yellow rust at levels which have seldom if ever been seen in the past before May. Many farmers applied fungicides to susceptible varieties when the problem began to build up back in January and February and this helped to control it. It is clear however that more expensive applications of chemical will be required during the spring and summer if disastrous yield loss is to be avoided.

Other yield-sapping diseases such as eyespot, septoria and mildew have also been worse than usual this year and now cereal aphids are appearing on winter barley. Any day now the tiny bugs will transfer their attention to spring-sown barley which has just emerged from the soil. As they do so they will, if not stopped, infect it with a disease they carry called barley yellow dwarf virus.

Last year this virus affected large areas of UK spring barley and resulted in yields of less than half what could reasonably have been expected. Some agronomists are in fact already advising that prophylactic applications of insecticide should be used over the next few days to try to kill the aphids before they are able to do much damage.

The sugar beet crop faces a similar threat. Beet aphids carry a disease called virus yellows and they too have survived the winter in larger numbers than in any year since the mid 1970s. Disastrous crops and sugar shortages were the result then and in an attempt to avert a similar crisis sugar beet growers have, over the last few days, been scattering costly granular insecticides alongside sugar beet seeds as they planted them.

Altogether therefore it looks like being an expensive spring. Taken together with falling commodity prices following the imposition of EC budget stabilisers and the like, prospects for profit this year are already taking a turn for the worse.

Farms, especially at this time of the year, appear colourful and appealing and those who live on them appreciate the beauty of nature as much as anyone. Look a little closer however and the situation is not quite so idyllic.

US threatens walkout at coffee meeting

THE US warned delegates at the opening of talks in London yesterday aimed at reaching a new International Coffee Agreement that it might drop out if substantial progress was not made, reports Reuter.

"This is a crucial meeting. If there is not substantial progress we have to question the advisability of coming back for more fruitless discussions," said Mr Jon Rosenbaum, the chief US negotiator.

Delegates needed to agree on how to deal with sales to non-members, he said. If they could reach a consensus and negotiate mechanisms in detail he would be happy to return for more talks before the next scheduled ICO plenary session in September.

Producers of prime quality "other mild" arabica coffees began the the two-week meeting by presenting a plan for price support arrangements.

"We hope this could get the negotiations going," said Mr Luis Escalante Vargas, foreign trade minister of Costa Rica.

Producers and consumers are striving for a coffee agreement to replace the present six-year pact which expires in September. They are deeply divided on how to keep producers from selling cheap coffee to countries outside the ICO and Mr Escalante said he hoped the plan presented by other milds group would correct this.

Mr Jorio Dauster, head of Brazil's delegation, attended the opening council session, as did Mr Jorge Cardenas, Colombia's chief negotiator. Brazil and Colombia are the two biggest producers. Mr Dauster had no comment after the council meeting and producer delegates said it was not certain when all producers might meet to assess their positions.

The plan, presented by the mainly Central American "other milds" group, would give them bigger shares of the coffee market, controlled by the ICO's system of export quotas, at the expense of Brazil and African producers, delegates said.

This would reform the present quota system, which has changed little since the agreement started over 25 years ago.

Producers' quota shares would be based on their recent exports, exportable production, stocks and also demand estimates or a "shopping list" to be supplied by consumers.

The quota reshuffle would in theory cut Brazil's share to 28.56 per cent from 30.8 per cent share of the global export quota, through which the ICO attempts to match supply to demand. Brazil has always fought against giving up any of its quota.

The plan, supported by all other milds producers except El Salvador, aims to give consumers enough of the types of coffee they want by adjusting quotas separately for three different grades – robusta, mild arabica and Brazilian arabica. Quotas would be increased or reduced according to movements in average prices.

The scheme includes tight export controls to prevent producers from selling cheaply to non-members.

Apart from Brazil, the other big losers of quota would be Ivory Coast, Colombia, Ethiopia, Tanzania, and Cameroon.

Indonesia would gain, along with Costa Rica, Ecuador, Guatemala, Honduras, India, Mexico, Papua New Guinea and Peru from the other milds group. The remaining other milds countries – El Salvador, Dominican Republic and Nicaragua – would lose.

Gloom about prospects for an agreement has dogged the coffee market with prices last week at their lowest for almost seven months.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER AND zinc prices extended their retreats on the London Metal Exchange yesterday. Cash grade A copper fell £36 to close at £1,806.50 a tonne as the market continued to be influenced by the sagging sentiment in New York. In the zinc market, meanwhile, cash high grade metal added $47.50 to Friday's $102 fall to close at $1,645 a tonne – $460 below the record level reached only five weeks ago. Traders said the tone was influenced by news that two more North American zinc producers had followed the cut of 5 cents to 90 cents a lb (for special high grade metal) announced on Friday by Cominco. Earlier in the day the zinc price had steadied on news of an unexpected fall in LME warehouse stocks. But trade selling and liquidation soon appeared to put the market back on its downward course.

SPOT MARKETS

		+ or -
Crude oil (per barrel FOB)		
Dubai	$16.45-6.55z	-0.75
Brent Blend	$19.80-9.70q	-0.70
W.T.I. (1 pm est)	$20.15-0.20z	-1.05
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	$257-260	+11
Gas Oil	$161-163	+4
Heavy Fuel Oil	$93-94	-2.5
Naphtha	$196-198	-3
Petroleum Argus Estimates		
Other		
Gold (per troy oz)♦	$384.75	+1.0
Silver (per troy oz)♦	580c	
Platinum (per troy oz)	$527.65	+1.90
Palladium (per troy oz)	$181.75	+1.25
Aluminium (free market)	$1960	+15
Copper (US Producer)	136½-144c	+¾
Lead (US Producer)	37.5c	
Nickel (free market)	700c	+10
Tin (European free market)	£5725	+117
Tin (Kuala Lumpur market)	23.73r	+0.50
Tin (New York)	442.25c	+8.75
Zinc (US Prime Western)	85¾c	
Cattle (live weight)†	115.50p	+5.01*
Sheep (dead weight)†	232.92p	+21.8*
Pigs (live weight)†	82.59p	-0.97*
London daily sugar (raw)	$309.0v	+13.8
London daily sugar (white)	$333.0v	+10.0
Tate and Lyle export price	£396.0	+10.0
Barley (English feed)	£116.5	
Maize (US No. 3 yellow)	£133	
Wheat (US Dark Northern)	£125.25v	
Rubber (spot)♥	67.25p	-0.50
Rubber (May) ♥	67.25p	-0.50
Rubber (Jun) ♥	67.50p	-1.20
Rubber (KL RSS No 1 May)	306.5m	
Coconut oil (Philippines)§	$537.5	
Palm Oil (Malaysian)§	$362.5x	
Copra (Philippines)§	$355	
Soyabeans (US)	$199	+2
Cotton "A" index	70.10c	+1.60
Wooltops (64s Super)	660p	+5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Apr/May. u-Mar/Apr. c-Apr. x-May/Sep. w-Apr/Jun. z-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♦ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
May	828	827	836 828
Jul	831	834	841 830
Sep	840	841	847 838
Dec	865	866	874 864
Mar	852	856	860 852
May	850	857	860 850
Jul	852		865 852

Turnover:2759 (5798) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 31:1066.22 (1058.34); 10 day average for Apr 3:1065.14 (1066.93).

COFFEE £/tonne

	Close	Previous	High/Low
May	1100	1100	1111 1093
Jly	1037	1038	1077 1030
Sep	1037	1036	1051 1032
Nov	1027	1030	1040 1023
Jan	1027	1030	1038 1034
Mar	1027	1035	1040 1034
May	1026		1030

Turnover:1729 (2532) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 31: Comp. daily 113.74 (113.08); 15 day average 116.60 (116.96).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
May	294.00	280.00	298.00 278.00
Aug	281.00	270.00	285.40 275.00
Oct	276.80	265.00	278.00 269.00
Dec	274.00	260.00	263.00
Mar	267.00	255.00	261.40 260.00
White	**Close**	**Previous**	**High/Low**
May	336.00	319.00	337.40 329.00
Aug	333.00	326.00	334.00 326.50
Oct	321.00	310.00	321.50 316.00

Turnover: Raw 8946 (2654) lots of 50 tonnes. White 2506 (297).
Paris- White (FFr per tonne): May 2120, Aug 2105, Oct 2015, Dec 1980, Mar 1970, May 1940.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jul	May	Jul
1800	173	159	7	37
1900	96	100	26	73
2000	42	57	73	130
Copper (Grade A)	**Calls**		**Puts**	
2700	269	218	14	95
2900	123	122	68	192
3100	41	61	184	328

TEA

There were 19,816 packages on offer at this weeks auction, including 6,660 in the offshore section, reports the Tea Brokers' Association. Bright liquoring Africans met good demand at firm rates. Medium quality sorts came to a selective enquiry and were 2-5p easier with some withdrawals. Plain descriptions showed little change in price. Ceylons sold readily and improved quality teas tended dearer. Offshore teas attracted fair competition with the Kenya offerings dearer and other growths about steady. Quotations: quality 162p nominal (190p), medium 103p (107p), low medium 83p (83p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 13,150 tonne
Cash	1955-60	1950-5	1961/1955	1960-1		
3 months	1935-40	1931-3	1960/1915	1945-50	1945-50	29,245 lots
Copper, Grade A (£ per tonne)						Ring turnover 29,275 tonne
Cash	1804-9	1840-5	1841/1795	1840-1		
3 months	1704-5	1739-40	1748/1695	1742-3	1696-7	69,528 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	575-8	574-7		575-8		
30 June	589-92	588-91		589-92		353 lots
Lead (£ per tonne)						Ring turnover 7,450 tonne
Cash	344.5-5.5	338-40	338/337	336-7		
3 months	345-7	350-1	352/346	348-9	345-7	9,018 lots
Nickel ($ per tonne)						Ring turnover 1,212 tonne
Cash	15450-550	15350-450	15600	15550-600		
3 months	15150-200	15200-50	15500/15150	15350-450	15150-75	7,253 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 12,250 tonne
Cash	1680-90	1705-15	1735/1730	1735-40		
3 months	1655-60	1665-85	1720/1655	1695-700	1660-70	7,866 lots
Zinc ($ per tonne)						Ring turnover 27,250 tonne
Cash	1640-50	1690-5	1702	1700-3		
3 months	1595-600	1654-5	1685/1595	1645-50	1610-5	11,663 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	62.5	64.4	64.0 61.5
May	68.5	68.3	67.5 66.0
Apr	127.6	128.9	129.0 127.5

Turnover 271 (386) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Jun	151.00	154.80	151.00
Aug	151.00	151.00	151.00
Dec	150.00	153.50	150.50

Turnover 73 (67) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Apr	1600	1608	1627 1600
May	1545	1546	1553 1545
Jul	1380	1380	1370 1350
Oct	1470	1480	1480 1470
Jan	1535	1550	1530 1530
Apr	1555	1550	1555 1545
BFI	1619	1631	

Turnover 369 (458)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
May	118.75	118.60	119.00 118.75
Jun	120.50	120.70	120.75 120.50
Sep	104.15	104.00	104.15
Nov	106.45	106.20	106.50 106.30
Barley	**Close**	**Previous**	**High/Low**
May	110.90	111.10	111.20 110.90
Sep	101.25	101.15	101.50 101.15
Jan	107.95	108.05	107.95 107.10

Turnover: Wheat 172 (215), Barley 24 (25).
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	384¾-385	228¼-228¾
Opening	384¾-385	228½-229
Morning fix	385.35	229.277
Afternoon fix	385.45	228.958
Day's high	385¾-386¼	
Day's low	384-384¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	396-401	235-238
Britannia	396-401	235-238
US Eagle	396-401	235-238
Angel	396-401	235-238
Krugerrand	383½-388½	227½-229½
New Sov.	90½-91½	53¾-54¼
Old Sov.	90½-91½	53¾-54¼
Noble Plat	529.65-538.55	315.00-320.85
Silver fix	**p/fine oz**	**US cts equiv**
Spot	345.25	578.10
3 months	351.35	583.75
6 months	357.75	608.55
12 months	380.75	644.00

CRUDE OIL $/barrel

	Close	Previous	High/Low
May	19.93	19.57	19.95 18.85
Jun	19.48	19.50	19.60 18.90
Jul	18.90	18.50	18.60 17.89
IPE Index	19.57	19.19	

Turnover: 8730 (15539)

GAS OIL $/tonne

	Close	Previous	High/Low
Apr	157.50	162.50	163.75 157.50
May	154.50	159.75	157.50 154.00
Jun	152.75	155.00	158.50 152.00
Jul	152.75	157.75	154.75 152.00
Aug	154.00	155.00	154.00
Sep	155.50	155.50	155.00 155.00
Oct	158.00	158.00	156.50 154.50
Dec	158.50	158.50	158.50

Turnover 7817 (7836) lots of 100 tonnes

US MARKETS

IN THE metals, most markets closed nearly unchanged, except for copper, reports Drexel Burnham Lambert. Prices fell 570, basis May, due to an increase in LME stocks and some fund liquidation. Palladium futures were also sharply lower on profit taking. In the softs, sugar again was the days most active. Prices closed up 27 near the highs, on heavy commission house buying. Cocoa futures lost 32 as prices closed below the 1400 level in May. Origin selling and switch buying were featured in the coffee market. In livestocks, pork bellies were limit down due mostly to the record storage and light demand. Friday's bearish hog and pig report shows that the rate of slaughter is not likely to ease. Cattle and hog futures felt weakness from the report and some stop loss selling. The grain markets featured lower prices in the soy complex and maize markets. Soyabeans sank 23¼ cents on strong technical selling while maize futures fell on a bearish crop report. May maize closed down 9½ cents. Larger than expected stocks rallied the wheat market. Cotton prices gained despite a bearish to neutral crop report. The energy complex advanced early on a short covering rally but prices failed to maintain the higher levels and closed lower in most markets.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Apr	386.2	385.1	387.0 385.6
May	388.2	386.6	
Jun	391.1	390.0	391.7 388.6
Aug	395.0	393.8	395.2 394.2
Oct	401.9	401.1	403.0 400.0
Dec	407.0	405.0	408.0 406.0
Feb	413.3	412.9	413.3 412.0
Apr	419.2	418.9	
Jun	425.1	424.8	

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Apr	527.7	526.6	529.8 524.0
May	528.2	527.1	0
Jul	530.7	530.1	532.0 527.8
Oct	534.2	533.1	535.0 531.0
Jan	537.7	536.6	
Apr	540.2	539.1	

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Apr	578.8	577.8	578.0 576.0
May	583.3	582.3	585.0 580.0
Jul	589.7	587.7	597.0 586.0
Sep	594.2	593.3	596.0 591.5
Dec	606.2	604.6	607.0 604.0
Dec	621.5	621.1	624.5 619.5
Jan	626.5	626.4	0
Mar	637.4	637.2	637.0
May	649.3	648.8	650.0
Jul	659.3	659.4	659.5

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Apr	128.90	135.30	135.10 128.90
May	126.90	132.90	131.90 126.70
Jun	123.80	129.20	0
Jul	121.40	126.40	127.00
Sep	120.40	126.00	124.90 120.80
Dec	117.00	121.50	118.50 117.10
Mar	115.50	117.50	115.50 115.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
May	19.98	20.19	20.57 19.98
Jun	19.27	19.50	19.94 19.27
Jul	18.82	19.09	19.43 18.85
Aug	18.43	18.80	19.00 18.49
Sep	18.12	18.24	18.60 18.12
Oct	17.90	17.99	18.30 17.95
Nov	17.80	17.86	18.02 17.80
Dec	17.44	17.44	17.80 17.49
Jan	17.15	17.23	17.70 17.78
Feb	17.20	17.03	17.60

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
May	5275	5330	5350 5260
Jun	5075	5172	5200 5050
Jul	4975	5082	5210 4975
Aug	5055	5150	5200 5055
Sep	5150	5220	5260 5150
Oct	5250	5301	5325 5240
Nov	5240	5287	5325 5240
Dec	5300	5342	5385 5286

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
May	1398	1411	1443 1397
Jul	1338	1369	1368 1338
Sep	1336	1339	1357 1307
Dec	1311	1332	1327 1316
Mar	1309	1322	1320 1303
May	1311	1315	1315 1316
Jul	1316	1330	1338 1315

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
May	128.23	128.13	128.75 127.20
Jul	123.76	123.60	124.20 122.50
Sep	119.19	118.40	119.70 118.40
Dec	116.25	115.45	116.30 115.85
Mar	115.75	115.75	116.00 115.00
May	116.13	116.38	0
Jul	116.50	117.00	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
May	12.89	12.62	13.06 12.60
Jul	12.48	12.21	12.59 12.20
Oct	12.42	12.27	12.52 12.21
Jan	11.85	11.88	11.85 11.85
Mar	11.76	11.62	11.80 11.50
May	11.67	11.48	11.80 11.50
Jul	11.60	11.35	11.65 11.50

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
May	62.63	61.97	63.05 62.20
Jul	63.85	63.45	64.30 63.35
Oct	64.20	64.00	65.13 64.21
Dec	64.08	64.41	64.70 64.00
Mar	64.82	64.60	64.96 64.40
May	65.50	65.10	65.45 65.45

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
May	167.85	165.70	170.50 165.50
Jul	165.65	165.30	169.00 164.40
Sep	162.05	162.75	165.50 162.00
Nov	155.05	155.50	158.75 154.75
Jan	150.50	150.50	151.60 151.00
Mar	149.50	149.80	
May	149.80	148.80	
Jul	149.80	148.80	

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 31	Mar 30	mnth ago	yr ago
1996.6	2002.2	1955.4	1736.1

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	135.37	136.70	137.93	-
Futures	137.29	138.17	141.52	-

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
May	710/0	738/2	730/0 709/2
Jul	720/2	748/0	739/4 718/0
Aug	717/0	742/6	732/4 712/4
Sep	707/0	722/4	719/0 695/2
Nov	700/4	713/4	712/0 699/0
Jan	710/0	722/2	719/0 709/0
Mar	718/0	731/4	727/0 716/0
May	724/0	741/6	730/0 711/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
May	22.04	22.48	22.45 21.75
Jul	22.64	23.09	23.02 22.35
Aug	22.95	23.42	23.32 22.65
Sep	23.06	23.54	23.42 22.80
Oct	23.28	23.65	23.55 23.00
Dec	23.70	24.03	24.08 23.45
Jan	23.75	24.10	24.00 23.60
Mar	23.90	24.11	23.80 23.63
May	24.10	24.15	24.10 24.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
May	218.4	227.6	225.5 217.6
Jul	217.2	225.4	224.0 215.9
Aug	215.2	222.0	221.0 214.0
Sep	215.0	220.5	218.0 210.5
Oct	211.2	215.2	214.0 210.0
Dec	210.5	214.0	213.0 207.5
Jan	210.0	214.0	213.0 209.0
Mar	210.5	214.0	213.0 210.0
May	210.5	215.0	214.0 209.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
May	259/0	268/2	265/4 258/4
Jul	262/0	271/0	269/0 261/0
Sep	259/4	266/2	262/2 257/6
Dec	262/2	268/6	266/4 261/4
Mar	262/4	265/0	266/2 257/4
May	271/0	276/2	274/0 270/4
Jul	276/0	281/0	276/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
May	406/4	403/6	409/0 391/4
Jul	386/0	387/6	389/0 380/0
Sep	400/0	395/4	400/4 389/0
Dec	411/0	405/4	410/4 402/4
Mar	415/4	410/0	416/4 405/4
May	419/4	400/0	415/0 405/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Apr	77.40	78.07	77.87 76.80
Jun	71.85	73.52	73.37 71.57
Aug	69.60	70.90	70.37 69.50
Oct	69.95	70.85	70.35 69.65
Dec	70.25	71.15	70.52 69.97
Feb	71.05	72.05	71.55 70.95
Apr	71.60	72.65	72.05 71.10
Jun	73.05	73.65	73.30 72.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Apr	40.27	40.25	40.60 39.72
Jun	45.55	46.47	46.47 45.05
Jul	45.05	46.00	46.00 45.00
Aug	44.77	45.60	45.35 44.45
Oct	41.72	42.35	42.30 41.40
Dec	43.00	43.62	43.65 43.00
Feb	44.25	45.00	45.23 44.25
Apr	43.25	44.02	44.00 43.25

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low
May	35.35	37.35	38.70 35.35
Jul	35.55	37.55	38.85 35.55
Aug	34.85	36.85	36.55 34.85
Feb	50.70	52.70	51.95 50.70
Mar	50.50	51.50	51.00 49.57
May	49.40	51.70	0 49.50
Jul	51.80	53.80	0 51.80

LONDON STOCK EXCHANGE

Equities recover from initial losses

London's equity market yesterday beat off another attack of interest rate worries stimulated by initial heavy downward pressure on sterling, and it reversed an early large decline to close modestly higher on balance.

The recovery in the market was, according to dealers, due entirely to a general and substantial re-rating of the pharmaceuticals sector after the news that Beecham of the UK and SmithKline of the US are seeking an agreed merger which, if successful, could result in the establishment of the world's second biggest pharmaceuticals group.

Account Dealing Dates			
First Declarations:	Mar 13	Apr 3	Apr 17
Option Declarations:	Mar 30	Apr 13	May 4
Last Dealings:	Mar 31	Apr 14	May 5
Account Day:	Apr 10	Apr 24	May 15

"New time dealings may take place from 9.00 am two business days earlier.

Concern over the latest fall in sterling, especially against the dollar and the D-mark, led to renewed speculation that the Chancellor of the Exchequer could be forced to again lift UK interest rates. The market was initially shocked by the extent of the revision in UK retail sales for February, where the figure was increased from 2.5 per cent to 3.1 per cent, but many analysts were somewhat reassured when the Treasury emphasised that the increase in retail sales over the three-month period has been almost static.

John Reynolds, economist at Prudential-Bache, said the latest economic data "confirms that interest rates remain at the current level for some months." But he agreed with the Treasury view; "money market rates are steady just above 13 per cent, and one should never look at one month's figures in isolation. The overall trend says the growth rate is slowing."

Observers now see interest rates being determined by the trend in sterling; if the trade figures improve in coming months, sterling will move up and rates can be cut, but the overall view is that the Government may have to defend sterling if the trade numbers deteriorate further.

A generally gloomy weekend Press set the tone for initial market activity yesterday with forecasts that sterling will remain weak, causing a markdown in prices of leading blue chips. The gloom soon lifted, however, and the FT-SE-100 index, having opened showing a fall of almost 11 points, gradually clawed back its early losses and moved into positive territory before closing a net 4.6 higher at 2,079.6.

The trend was given a boost by a relatively encouraging early performance by Wall Street where the Dow-Jones Average moved back through the 2,300 level. "If Wall Street can hold above 2,300 on the Dow, I'm bullish of our market," commented a senior dealer at one of the European investment houses.

The one disappointing factor in the equity market was the extremely poor levels of turnover. At 5 pm turnover was a rather paltry 397.1m shares, well down on recent levels; Friday saw 631.2m shares traded and Thursday 528.5m.

FINANCIAL TIMES STOCK INDICES

	Apr 3	Mar 31	Mar 30	Mar 29	Mar 28	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.81	87.30	87.36	87.78	87.98	91.03	89.29 (8/2)	86.65 (5/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.06	96.32	96.61	96.44	96.83	97.60	99.59 (16/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1706.5	1707.9	1698.7	1705.5	1709.0	1398.7	1781.1 (14/3)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	190.9	190.2	190.6	191.5	196.1	237.3	196.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.49	4.50	4.55	4.52	4.51	4.75				
Earning Yld %(full)	10.87	10.90	11.02	10.93	10.92	12.09				
P/E Ratio(Net)(*)	11.11	11.08	10.96	11.05	11.06	10.10				
SEAQ Bargains(5pm)	37,806	39,767	36,220	34,155	38,346	36,546				
Equity Turnover(£m)†	-	1399.64	1305.69	890.42	775.58	915.53				
Equity Bargains†	-	45,639	41,034	39,242	32,569	43,750				
Shares Traded (ml)†	-	606.3	547.3	418.5	402.0	426.1				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1699.2	1705.8	1709.3	1705.2	1706.6	1708.5	1704.0	1702.8

DAY'S HIGH 1709.9 DAY'S LOW 1699.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.05 †Excluding intra-market business. * Corrected figure.

● S.E. ACTIVITY

Indices	Mar 31	Mar 30
Gilt Edged Bargains	98.2	107.7
Equity Bargains	295.9	285.9
Equity Value	2829.0	2639.1
5-Day average		
Gilt Edged Bargains	98.3	99.6
Equity Bargains	245.4	230.2
Equity Value	2207.8	2091.7

● London Report and latest Share Index: Tel. 0898 123001

Second opinion on Beecham

Dealers were initially uncertain over what to make of Beecham's tie-up talks with US drug company SmithKline Beckman, and the price opened a few pence weaker. The fog rapidly cleared, however, when institutional investors decided the downside was minimal and began buying. The price rose sharply and ended 25 better at 619p as a busy 7.7m shares were traded.

Analysts took the view that the demand was motivated more by the chances of a third party stepping into the fray and bidding for either Beecham or SmithKline, than from the business benefits arising from the well-documented product and marketing fit. Favourite to step in is Swiss company Hoffman-La Roche. Early last year Hoffman made a hostile bid for Sterling drug but lost out to Eastman Kodak, and it is known to want the sort of over-the-counter products where Beecham is strong. Nevertheless, one analyst said: "The chances of a merger are about 70% and those of a bidder emerging probably lower."

Another, Mr Didier Cowling of Nomura, is advising clients to hold on to their Beecham shares. "Whichever way you look at it, there would be a dilutive aspect for Beecham shareholders because of the company's higher profitability. But if Beecham's price were to weaken, a bidder is likely to be flushed out."

Tunnel progress

Eurotunnel's year-end report was greeted with a qualified welcome in the market. Analysts were pleased with the improved tunnelling rate but surprised at revelations of the damage done by last summer's poor relations between Eurotunnel and TML, the holding company for the 10 UK and French contractors. "The improvement in morale this year has fed straight through to the tunnelling rate," said Ms Jennie Younger, analyst at BZW.

Marketmakers reported good buying interest, once more led by French investors. They said that turnover was well up with the recent daily average turnover of of around 300,000 shares. The price lifted 18 to 827p, a shade off the best, while the warrants put on 1¾ to 71¼p.

"It's very hard to be able to say whether the price is good value or not," said Ms Younger. "But if you look at projected dividend and revenues it is not difficult to see how they could increase dividend payments over their current forecast, which the company bases on UK GDP growth averaging just 1.2 per cent a year."

Eurotunnel is to increase the frequency of its tunnelling report from quarterly to monthly. This should steady the notoriously volatile share price and bring the stock more to the attention of UK investors, said Ms Younger.

Kingfisher ahead

Kingfisher caught the eye with a rise of 9 to 278p as investors began to realise the potential of the group now that speculation of predatory moves has started to fade. Mr Ian Macdougall of Nomura Research commented, "last week the group produced results which were substantially ahead of market expectations and which will certainly prove to be the best to emerge from any major stores group."

The company's immediate reward has been share price weakness on the grounds either of a price war in D.I.Y or an imminent acquisition. Neither of these concerns is sufficient to undermine his faith in the group's growth potential. The current relative weakness constitutes an excellent buying opportunity, continued the Nomura researcher.

"The whole Pharmaceutical sector has been put into play," exclaimed one analyst," commenting on the Beecham/SmithKline Beckman talks. All the stocks moved smartly ahead. Smith and Nephew (141p), Boots (275p) and Wellcome (469p) all added several pence. Fisons jumped 10 to 297p and Glaxo piled on another 37 to close at 1348p despite having gone ex-dividend. Reckitt and Colman, which posts its finals on Thursday, added 18 to the good at 1083p.

Even ICI found itself 21 better at one point before settling back to 1198p, a net increase of 16. "At the sort of prices people are talking about for SmithKline, either ICI's pharmaceutical interests are grossly undervalued or the rest of it is," said one analyst.

There were two outstanding features in the oils, Shell and Ultramar. The latter raced up to the 300p mark prior to closing a net 10 higher at 297p with turnover of 5.6m shares easily the highest for some time. Oil market specialists said Ultramar is a major beneficiary of the current gasoline shortage in California, where Ultramar acquired last year the Wilmington refinery. "Analysts are revising upwards their forecasts for the Wilmington Refinery based on gasoline prices going through the roof. Ultramar is highly exposed to the West Coast market where excellent downstream margins are in prospect for the remainder of 1989," said one dealer. In recommending a "switch from Burmah to Ultramar" Alan Thomas at Kitcat & Aitken, the stockbrokers, says Ultramar offers the prospect of 25 per cent plus annual earnings per share growth over the next five years or so."

Shell moved up 4 to 389p after Simon Elliston and the oil team at Citicorp joined other securities houses, notably Shearson Lehman and Kleinwort Benson in recommending the stock. Mr. Elliston says Shell has "no exposure to the Alaskan oil crisis. The equivalent US stock to Shell/Royal Dutch is Exxon and they are getting nothing but bad publicity over the Alaskan oil spill. We're telling our clients to switch into Shell from other oils."

The two classes of BP were marginally easier but turnover in both held up well; almost 6m BP "old" and 2m "new" were traded.

The clearing banks did not participate fully in the general market recovery with dealers citing adverse comment on the recent profits warning issued by Sir Nicholas Goodison, chairman of TSB, as responsible for holding back prices. "It was a desperately dull day; there are obviously worries that TSB could be the start of a trend," said one dealer in banks.

Marketmakers described activity in insurances as "uninspired; there is some two-way business in some stocks, notably Abbey Life, finally unchanged at 319p, where turnover is around 2.5m, but overall there is previous little business." Sun Alliance extended its recent rise with the market now expecting the group to come up with preliminary profits approaching the £400m mark, compared with last time's £171.5m.

Scottish and Newcastle added 7p to 314 amid renewed talk that buyer had been found for Elders' 23.64 per cent stake in it.

Normans Group retreated 6¼ to 61p on suggestions that SirRon Brierley's IEP Securities was placing its 8 per cent stake.

The bumper annual profits from Steetley encouraged several building and construction issues due to announce annual results later this month to move higher. Steetley gained 16 to 429p while RMC rose 9 to 673p and Higgs & Hill advanced 6 to 388p; the two last-named are scheduled to release preliminary figures on April 12. Redland (full-year statement on April 27) was another to benefit, rising 10 to 526p. Severfield-Reeve also revealed higher profits yesterday and closed 5 up at 124p.

Dixons stepped back to close 3½ down at 158p, upset by a downgrading from Warburg Securities. The securities house has slashed profits estimates for this and next year to £80m, having previously forecast £89m and £95m respectively. Expansion hopes stimulated fresh buying of Summertime International, up 7 at 89p.

BICC's entry into the FT-SE 100 had been discounted and the shares shed 15 to 500p. Dealers also cited fading bid hopes from part of CGE of France. GEC (2 better at 235p) confirmed it was holding talks with CGE about linking wire and cable interests.

Moving out of the Footsie, Amstrad was hurt by talk that BZW had downgraded its profits forecast for the company. BZW denied the story but the stock fell to a 16-month low of 139p before recovering to close at 140p a net decline of 3.

Tate and Lyle were weak as attention focused on the implications of the company's recommended offer for the 49.9 per cent of Redpath it does not own. Tate and Lyle has said it will sell the non-sugar refining parts of the company. "The market view is that an already high gearing will be pushed through the roof," said Mr David Lang, foods analyst at Henderson Crosthwaite. "But after the deal is complete, the gearing will fall to a little above the pre-deal level." And, more importantly, interest cover will be maintained around four times." Tate and Lyle closed 4 off at 282p.

Unilever went ex-dividend and duly lost 10 to 527p. "But considering the weakness of sterling and bearishness on the quarterly report due out on May 12, the stock has performed steadily," said Mr Lang. The strength of Unilever NV, to which the plc is trading at a 2.7 per cent discount, has helped, he said.

BAA was firm after press comment pointing to the stock's defensive nature. Analysts are to to visit the company on April 18 specifically to examine its property activities, the source of much discussion of the basis upon which BAA should be rated.

Among Motors, Keep Trust were the main feature. They followed through last week's rise of 147, inspired by the company's confirmation that it was in bid talks, by adding another 26 to close at 486p, 7 below the best of the day. Trading was brisk in both directions and market stories circulated that the final takeover price could be around 25 a share. Country demand for Jessups, the motor distributor, found the market short of stock and the price jumped 20 to 195p.

Morgan Stanley, the investment house, was said to have brought out a buy circular on Trafalgar House and put the stock into their model portfolio. But the buying interest generated was met by sellers unwinding stale positions and the shares were only a fraction harder on balance at 364p; turnover was a hectic 4m.

Blue Circle, was also added to Morgan's model portfolio, dealers said; the 14 jump to 549p was abetted by the company's announcement that it had put its industrial products group up for sale and that several buyers had voiced interest.

Stanley Leisure were a couple of pence off at 249p after the rump of the rights issue – some 800,000 shares or 8 per cent of the issue – was placed with institutions by brokers Kitcat and Aitken at 235p; Mr Roy Owens, Kitcat's leisure analyst, said the placing was "oversubscribed."

Pearson revealed preliminary profits of £198.9m, which exceeded most market expectations, and the shares responded by closing 14 higher at 716p. Reed International were also outstandingly firm with a rise of 11 to 418p but United Newspapers reacted after weekend comment to end 9 lower at 455p. Revived speculative interest took Wace up 7 to 389p but Whitney Mackay-Lewis ran into loose stock and fell 8 to 102p.

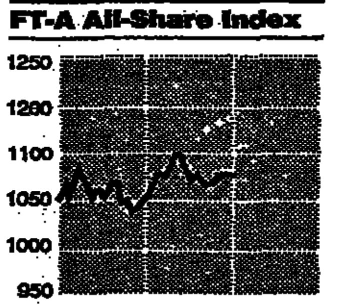
Institutional buying and the assistance of an improving dollar ensured further strength in BAT Industries, which rose 11½ to 575p xd. P&O were also favoured and regained much of its dividend deduction to end 9 higher at 664p xd.

Tranwood found support, gaining 2½ to 36p following the disposal of its 25 per cent stake in TGP 123, a French consortium formed for the purpose of buying a residential property portfolio, to Dutch interests.

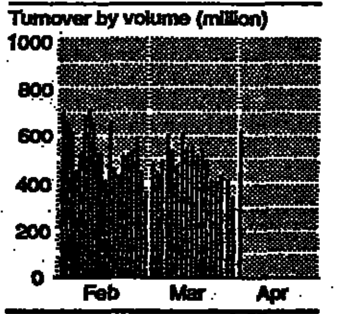
The shadow of the House of Fraser affair continued to hang over Lonrho, inducing further nervous selling which brought the shares down 6 further to 323p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 30

FT-A All-Share Index



Equity Shares Traded
Turnover by volume (million)



TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,600	146½	-½	Commercial Union	1,000	381	+4	Ladbroke	528	547	-3	Rolls Royce	6,800	183	+4
Allied-Lyons	1,400	450	+5	Cons. Gold Fields	646	1323	-5	Land Securities	286	573	-2	Rothmans	188	503	+2
Amstrad	756	140	-3	Cookson	498	311	-1	Laporte	173	434	+4½	Royal Bk. of Scotland	846	384	-6
Argyll Group	1,700	186	+4	Courtaulds	259	298	-1	Legal & General	2,100	322	-2	Royal Insurance	535	417	-1
Ass. Brit. Foods	308	329	-1	Dalgety	1,000	354		Lloyds Bank	646	355	+1	STC	2,100	312	+1
BAA	830	343	+5	Dixons	4,900	158	-3½	LASMO	585	450	+7	Saatchi & Saatchi	467	299	-1
BAT	3,300	575	+11½	Eng. China Clays	1,200	531		Lonrho	3,500	323	-6	Sainsbury	1,300	224½	+½
BET	2,200	267	+½	Enterprise Oil	203	535	+5	Lucas	447	605	-3	Scott & Newcastle	3,200	316	+9
BICC	1,200	500	-15	FKI Babcock	655	172		MB Group	238	281	-1	Sears	6,900	123½	+3½
BOC	759	518	+3	Fisons	4,500	297	+10	MEPC	346	542	-5	Shell Transport	4,000	389	+4
BPB Inds.	526	256		Gateway Corp.	1,400	164½	+½	Marks & Spencer	2,700	161	-1	Slebe	77	465	-1
BTR	2,000	375	-½	General Accident	397	970	+1	Maxwell Comm.	159	216	-3	Slough Ests	261	319	-1½
Barclays	799	488	-5	General Elect.	3,200	235	+2	Midland Bank	1,100	446	+2	Smith & Nephew	3,500	141½	+4
Bass	147	915	-5	Glaxo	2,100	1348	+37	Nat. West. Bank	889	582	-2	Standard Chart.	665	535	+4½
Beazer	646	195	-½	Globe Inv.	318	166	-1	Next	876	149	-3	Storehouse	840	180	-7½
Beecham	7,700	619	+25	Glynwed Int.	494	322	-4	Northern Foods	179	292	-1	Sun Alliance	185	1169	+6
Blue Arrow	6,500	91½	+2	Granada	993	388	-8	Pearson	805	716	+14	T&N	651	215	-1
Blue Circle	1,500	549	+14	Grand Met.	3,000	548	+9	Pearl	366	429	+1	TSB	2,900	117	
Boots	1,900	275	+4	GUS A	166	1007	-1	P & O	1,500	664	+9	Tarmac	1,600	305	-1
British Airways	3,100	202	+2	GRE	1,000	210	+1½	Pilkington	3,700	246		Tate & Lyle	694	232	-4
Brit. Aerospace	722	558	+1	GKN	477	365	-4	Plessey	878	251	-3	Tesco	1,900	154½	+1
Brit. & Comm.	1,100	286		Guinness	1,900	437½	-4½	Polly Peck Intl.	262	319	-1	THORN EMI	579	693	-2
British Gas	3,200	178½	-2	Hammerson 'A'	126	779	-1	Prudential	2,600	184	-½	Trafalgar House	4,000	364	+1
British Land	185	369	-1	Hanson	8,300	183	+2	Racal	4,400	395	+1	Trusthouse Forte	1,100	286	-1
BP	5,800	286	-½	Harrisons & Cros.	259	750	-1	Rank Org.	467	902	+2	Ultramar	5,600	297	+10
British Steel	7,100	82½	-1	Hawker Siddeley	731	651	-6	RMC	281	673	+9	Unilever	459	527	-½
British Telecom	3,900	277	+2	Hillsdown Hldgs	721	271	-2½	RHM	318	397½	-3½	United Biscuits	1,100	320	+1
Burmah Oil	216	541	-4	IMI	1,200	221	-2	Reckitt & Colman	312	1083	+18	Utd. Newspapers	388	455	-9
Burton	1,000	212		Imp. Chem.	2,400	1198	+16½	Redland	1,100	526	+10	Wellcome	838	469	+10
Cable & Wireless	2,600	486		Inchcape	716	264	-4	Reed International	1,700	418	+11	Whitbread 'A'	698	342	
Cadbury Schweppes	869	345	-2	Jaguar	872	317	+2½	Reuters 'B'	614	692		Williams Hldgs.	1,300	275	+4
Coats Viyella	926	159½	-½	Kingfisher	867	273	+9	RTZ	1,400	521	+8	Wimpey	889	287	+½

NEW HIGHS AND LOWS FOR 1989

[illegible]

APPOINTMENTS

Cape chief executive

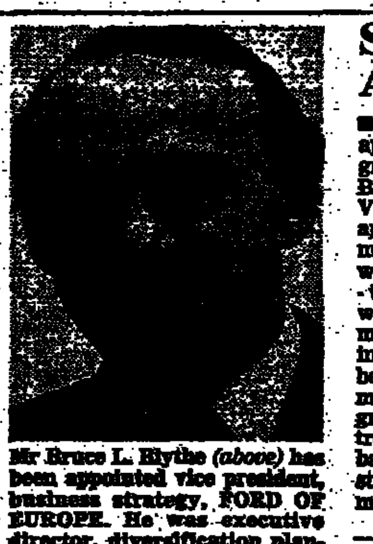
■ CAPE INDUSTRIES has appointed Mr M.J. Farebrother as chief executive. He was managing director of the industrial operations of the Chloride Group.

■ Mr Luc Luyten has been appointed a vice president of BAIN & CO INC. He joined the company in 1986, and is based in London.

■ EAGLE STAR INVESTMENT MANAGERS has appointed Mr Jonathan P. Gibbs as an assistant director; Mr Graham Beechkam and Mrs Elizabeth M. Blythe as investment managers; and Mr Martin R. Kraus as an assistant investment manager.

■ BARING SECURITIES has appointed Mr Mark Hatcher, Mr Jamie Stewart and Mr Robin Walden as assistant directors.

■ Mr Keith Roberts and Mr Robert Staveley have been appointed directors of COUNTY NATWEST. Mr Madeleine Barker, Mr Bill Calder, Mr Paul Gregory, Mr Paul Kersey, Mr Robert Miller-Bakewell, Mr Robert Robertson, Mr Paul Sisson and Mr Peter Streatfield have all been made directors of County NatWest Securities; and Mr Robert Ashmead and Mr Alastair Gibbons become directors of County NatWest Ventures.



Mr Bruce L. Blythe (above) has been appointed vice president, business strategy, FORD OF EUROPE. He was executive director, diversification planning, Ford Motor Company, in the US.

■ Mr David Reekie has been appointed investment product manager in the marketing department of STANDARD LIFE. He was senior regional consultant for Edinburgh for Allied Provincial Financial Services, part of stockbrokers Allied Provincial.

■ AAH HOLDINGS has appointed Mr John Townend, MP for Bridlington, as a non-executive director.

■ Mr David M. Robertson has been appointed a director of ACFC CORPORATE FINANCE.

Senior posts at Allied Irish

■ ALLIED IRISH BANKS has appointed Mr Roy Douglas as group general manager - Britain. He succeeds Mr Brian V. Wilson who has been appointed group general manager - Ireland. Mr Douglas was group general manager - treasury. Mr Tom Mulcahy, who was group general manager, corporate and international banking, becomes group general manager, capital markets group, responsible for group treasury, international banking, merchant banking, stockbroking and asset management of the group.

■ Mr Terry Arber has been appointed managing director of IMTEC ENGINEERING GRAPHICS. He was with Xerox.

■ Mr Ken Hughes has been appointed general manager of PILKINGTON MICRONICS, a new company formed on Deeside by the Pilkington Group for the manufacture of glass data storage and display materials. Mr Hughes was general manager of Plessey Semiconductors. Mr Julian Barnes becomes commercial director - he was marketing director of Chance Pilkington; and the technical director is Mr Lawrence Greasley, formerly with Pilkington Glass.

■ Mr David LeSage has been promoted from director of sales to general manager, AM MULTIGRAPHICS. He is succeeded by Mr Quen Baum. Mr John Lees adds general manager, AM Admel UK to his post as general manager, AM Computer Graphics.

■ In a reorganisation of its management structure VOKES has appointed Mr M.J. Riley as director and general manager, air filter division, and Mr M.J.H. Harding as director and general manager, liquid filter division.

■ Mr D.N. Dow has been appointed financial controller of SYSTEM SUPPORT ASSOCIATES. He was with the Laird group.

Mr Neil C. Johnson (above) has been appointed director, single European market, MIDLAND UK corporate banking. He was a senior international manager.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1200)H

80 Holdenhurst Rd, Bournemouth 0345 717373

[illegible]

Providence Capital Fd Mgrs Ltd (1900)H

30 Uxbridge Road, London W12 8PG 01-749 9111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Worldwide Inc	5	87.95	87.95	93.92	+4.14	0.66
Worldwide Acc	5	91.40	91.40	97.89	+0.15	0.66
UK Equity Inc	5	76.06	76.06	81.93	-0.68	2.26
UK Equity Acc	5	82.58	82.58	88.96	-0.73	2.22
European Inc	5	99.82	99.82	106.80	+0.60	0.90
European Acc	5	103.40	103.40	110.60	+0.60	0.96
Nth American Inc	5	58.72	58.72	59.23	+0.09	2.50
Nth American Acc	5	57.78	57.78	61.43	+0.10	2.50
Japan Inc	5	111.40	111.40	119.10	+0.30	0.00
Japan Acc	5	111.60	111.60	119.40	+0.30	0.00
UK High Inc Eq Inc	5	69.26	69.26	74.97	-0.59	4.78
UK High Inc Eq Acc	5	76.93	76.93	83.28	-0.65	4.72
Hong Kong Inc	5	49.48	48.48	51.70	-0.64	1.64
Hong Kong Acc	5	50.16	50.16	53.50	-0.66	1.62
Swiss Equities Inc	5	32.22	32.22	34.57	+0.11	0.74
Swiss Equities Acc	5	32.50	32.50	34.87	+0.11	0.73
W'wide Bond Inc	5	50.72	50.72	53.57	-0.18	4.50
W'wide Bond Acc	5	52.37	52.37	55.31	-0.19	4.51
Emerging Asia Inc	5	65.90	65.90	70.70	+0.15	0.00
Emerging Asia Acc	5	65.90	65.90	70.70	+0.15	0.00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES

These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE

The price at which units may be bought.

BID PRICE

The price at which units may be sold.

CANCELLATION PRICE

The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME

The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING

The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING

The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
General & Equity	5	63.37	66.22	70.45	+0.15	5.66
European	5	60.34	60.85	64.73	+0.85	1.26
Far Eastern	5	56.26	56.30	59.90	+0.05	1.01
Growth Inc	5	89.35	92.58xd	98.49	-0.19	1.48
Growth Acc	5	89.35	92.58xd	98.49	-0.19	1.48
Income Inc	5	81.84	83.71	89.06	+0.22	3.60
Income Acc	5	81.84	83.71	89.06	+0.22	3.60
Property Share	5	55.69	55.69	59.35	+0.16	2.15
Smaller Co's	5	63.12	63.12	67.14	-0.11	1.45
Formerly RBC Trust Managers Ltd						
Nth American	5	55.04	55.04	58.86	+1.22	1.85
International	5	43.20	43.20	46.19	-0.27	1.51
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0992						
Growth	5	91.52	91.52	96.32	...	0.92
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	62.15	64.36	68.47	+0.20	2.03
Yorks Inc Tst	5¼	59.86	61.54xd	65.89	+0.24	4.62
Yorks Intl Gwth Tst	5¼	46.93	46.93xd	50.09	+0.03	1.09

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt Feb 15	428.8	445.31	...	-
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Feb 28	485.80		---	4.88
Fxd Int Sec Feb 28	142.59		---	10.03
Deposit Feb 28	100.00		---	12.55
Charities Official Invest. Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Feb 28	460.59		---	5.06
Accum Feb 28	1493.07		---	-

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	257.1	270.7	+0.2	-
Equity Acc	820.9	864.2	+5.6	-
Property Acc	485.5	511.1	+0.1	-
Far East Acc	196.6	207.0	-0.3	-
European Acc	20.8	21.9	-	-
Managed Acc	649.6	683.8	+2.3	-
Managed Cap	369.7	389.2	+1.3	-
O'seas Earnings Acc	544.5	573.2	+2.5	-
Gilt Edged Acc	314.6	331.2	-0.1	-
American Equity Acc	412.3	434.0	+3.5	-
American Man. Acc	192.4	202.6	+1.6	-
American Prop Acc	139.7	147.1	+0.2	-
Pen. F.I. Dep. Cap	283.0	297.9	+0.2	-
Pen. F.I. Dep. Acc	487.4	506.8	+0.4	-
Pen. Prop. Cap	368.9	398.9	+0.1	-
Pen. Prop. Acc	1068.8	1125.1	+0.4	-
Pen. Man. Cap	797.0	839.0	+4.8	-
Pen. Man. Acc	1496.8	1575.6	+9.5	-
Pen. Gilt Edg. Cap	314.5	331.1	-0.1	-
Pen. Gilt Edg. Acc	482.6	508.1	-	-
Pen. Eq. Cap	1304.0	1372.7	+1.4	-
Pen. Eq. Acc	1856.2	1953.9	+13.9	-
Pen. Am. Eq Cap	131.7	138.7	+1.5	-
Pen. Am. Eq Acc	157.9	166.3	+1.8	-
Pen. Far East Cap	236.8	249.3	+2.0	-
Pen. Far East Acc	284.1	299.1	+2.5	-
Pen. Euro Cap	23.6	24.9	+0.2	-
Pen. Euro. Acc	25.5	26.9	+0.2	-
Pen. B.S. Acc	525.7	552.0	+0.6	-
Pen. B.S. Cap	317.7	339.6	+0.3	-
Pen. D.A.F. Acc	368.8	368.8	+0.4	-
Pen. D.A.F. Cap	250.1	250.1	+0.2	-
Pen. Mortgage Cap	142.0	149.5	+0.1	-
Pen. Mortgage Acc	170.4	179.4	+0.2	-
Barclays Funds				
Pen Equ Cap	27.1	28.6	+0.1	-
Pen Equ Acc	28.0	29.5	+0.1	-
Pen Am Eq Cap	28.8	30.4	+0.3	-
Pen Am Eq Acc	29.9	31.5	+0.4	-
Pen Far East Cap	29.6	31.2	+0.5	-
Pen Far East Acc	30.6	32.3	+0.6	-
Pen Euro Cap	32.1	33.8	+0.5	-

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Bid Price	Offer Price	+ or –	Yield Gross
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655				
Managed Fund	291.4	306.8	----	–
Man Pens Inc & Cap Fds	381.5	401.6	----	–
Money Fund	118.0	124.3	----	–
Pens Mngd Fd (Unit)	101.6	107.0	----	–
Pens Mngd Fd (Acc)	121.7	128.2	----	–
Pens FT30 Fd (Unit)	142.7	150.3	----	–
Pens FT30 Fd (Acc)	170.8	179.8	----	–
Pens O'seas MgFd(Unit)	72.0	75.8	----	–
Pens O'seas MgFd(Acc)	86.2	90.8	----	–
Pens Fxd Int Fd (Unit)	104.9	110.5	----	–
Pens Fxd Int Fd (Acc)	125.6	132.3	----	–
Pens Deposit Fd (Unit)	104.0	109.5	----	–
Pens Deposit Fd (Acc)	124.5	131.1	----	–
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	112.0	118.0	----	–
Building Soc. Fd.	169.0	178.0	----	–
Balanced	274.0	289.0	----	–
European	158.00	167.00	+3.0	–
GT Managed	175.0	185.0	+1.0	–
Gartmore Mngd.	111.0	117.0	-2.0	–
German	105.0	111.0	+1.0	–
Gilt	175.0	185.0	-2.0	–
Global	48.0	51.0	----	–
High Inc.	117.0	124.0	----	–
International Equity	181.0	191.0	+1.0	–
Japan	239.0	252.0	+2.0	–
Managed	63.0	67.0	+1.0	–
Property	276.0	291.0	----	–
R. W. Imperial Gold	132.0	139.0	----	–
UK Equity	368.0	388.0	-1.0	–
Pension Funds				
American	138.0	146.0	----	–
Building Soc. Fd.	167.0	176.0	----	–
Balanced	212.0	224.0	----	–
European	156.0	165.0	----	–
German	95.0	100.0	----	–
Gilt	149.0	157.0	----	–
International Equity	134.0	142.0	----	–
Japan	136.0	144.0	----	–
Managed	62.0	66.0	----	–
Property	213.0	225.0	----	–
UK Equity	329.0	347.0	----	–

	Bid Price	Offer Price	+ or –	Yield Gross
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Managed	539.1	567.5	+5.8	–
Equity	781.5	822.7	+6.8	–
Global Equity	221.6	233.3	+2.7	–
Fixed Interest	397.7	418.7	-1.0	–
Property	378.3	398.3	-0.0	–
Cash	152.8	160.9	+0.1	–
Index Linked Gilt	194.7	205.0	-0.3	–
Guaranteed	12.06		----	–
International Money	197.1	207.5	-0.2	–
North American	61.3	64.6	+1.5	–
Japanese	136.0	143.2	+0.4	–
European	82.2	86.6	+1.4	–
Special Situations	113.5	119.5	+0.3	–
Communications	95.8	100.9	+0.6	–
Smaller Companies	107.1	112.8	-0.2	–
International Small Cos	118.1	124.4	+0.8	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-405 9222				
Discretionary Mar 29	£148.04	153.15	----	–
Equity Mar 29	£163.11	169.07	----	–
International Mar 29	£23.56	24.27	----	–
Intl Bond Mar 29	£11.23	11.38	----	–
Fixed Int Mar 29	£71.77	72.73	----	–
Index Linked Mar 29	£60.79	61.54	----	–
Property Mar 29	£106.14	112.53	----	–
Cash Mar 29	£20.3706	20.3706	----	–
Pru-Linked Retirement Plan				
Managed Mar 22	368.5	383.9	----	–
Cash Mar 22	191.6	199.6	----	–
Prudential Pensions Investment Account				
Pens Mngd Mar 31	150.0	157.9	-0.7	–
Pens UK Eq Mar 31	291.2	306.6	-1.4	–
Pens Intl Mar 31	171.8	180.9	-2.3	–
Pens Fixed Mar 31	164.3	173.0	-0.3	–
Pens Index Lk Mar 31	154.5	162.7	-0.1	–
Pens Cash Mar 31	125.9	131.9	+0.1	–
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflio Fd	115.3	121.3	+0.4	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

BERMUDA AUTHORISED

JERSEY (**)

GUERNSEY (**)

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99[illegible]	99[illegible]	Treas 9½pc Cnv 1989	99[illegible]	......	–	–
99[illegible]	97[illegible]	Treas 3pc 1989	99[illegible]	......	3.02	10.03
99[illegible]	99[illegible]	Treas 10½pc 1989	99[illegible]	......	10.55	12.48
99[illegible]	98[illegible]	Exch 10pc 1989	99[illegible]	[illegible]	10.08	12.41
99[illegible]	99[illegible]	Exch 11pc 1989	99[illegible]	[illegible]	11.07	12.31
97[illegible]	95[illegible]	Treas 5pc 1986-89	97[illegible]xd	......	5.14	10.41
99[illegible]	99¼	Exch 10¼pcCv '89	99[illegible]	......	10.31	11.13
101[illegible]	100[illegible]	Treas 13pc 1990‡‡	100¾	[illegible]	12.90	11.91
99[illegible]	99	Exch 11pc 1990‡‡	99[illegible]	[illegible]	11.09	11.94
101[illegible]	100½	Exch. 12½pc 1990	100½	[illegible]	12.44	11.92
93¼	91[illegible]	Treas. 3pc 1990	93¼xd	......	3.22	9.86
96[illegible]	95¼	Treas 8¼pc 1987-90‡‡	96	–¼	8.59	11.92
98[illegible]	96[illegible]	Treas. 8pc Cv 1990 ‡‡	96¼	[illegible]	8.31	11.25
98[illegible]	97[illegible]	Treas. 10pcCv 1990	97¾xd	[illegible]	10.23	11.60
90	87[illegible]	Exch 2½pc 1990	89¾	......	2.79	9.54
101[illegible]	100[illegible]	Treas 11¾pc 1991	100[illegible]	[illegible]	11.71	11.51
91[illegible]	89[illegible]	Funding 5¾pc '87-91‡‡	91[illegible]xd	......	6.28	10.57
88½	86[illegible]	Treas. 3pc 1991	87[illegible]	......	3.42	9.60
100[illegible]	97[illegible]	Treas 10pc Cv '91 ‡‡	97[illegible]	[illegible]	10.23	11.15
101[illegible]	99[illegible]	Exch. 11pc 1991	99[illegible]xd	[illegible]	11.07	10.28
94½	92[illegible]	Treas. 8pc 1991	92[illegible]	[illegible]	8.63	11.23
106[illegible]	104¼	Treas 12¾pc 1992‡‡	104¼	[illegible]	12.24	10.96
99½	97¼	Treas 10pc 1992	97½	[illegible]	10.26	11.03
94[illegible]	91[illegible]	Treas. 8pc 1992 ‡‡	92[illegible]xd	[illegible]	8.66	11.02
100¾	98[illegible]	Treas 10½pc Cv 1992‡‡	98[illegible]xd	[illegible]	10.63	10.99
85[illegible]	82¼	Treas. 3pc 1992	83¼	......	3.59	8.99
105[illegible]	103[illegible]	Exch. 12¼pc '92	103[illegible]	[illegible]	11.84	10.98
109¾	107[illegible]	Exch 13½pc 1992	107[illegible]	[illegible]	12.59	10.91
94[illegible]	92	Treas 8¼pc 1993	92[illegible]	[illegible]	8.96	10.81
100[illegible]	97[illegible]	Treas 10pc 1993‡‡	97[illegible]xd	[illegible]	10.21	10.65
108¾	105[illegible]	Treas 12½pc 1993‡‡	105[illegible]	[illegible]	11.79	10.71
87¾	85½	Funding 6pc 1993‡‡	86[illegible]	......	6.94	9.82
113¾	110[illegible]	Treas 13¾pc 1993‡‡	110[illegible]	[illegible]	12.39	10.67
94½	91[illegible]	Treas. 8½pc 1994	92[illegible]	[illegible]	9.23	10.63
117[illegible]	114[illegible]	Treas 14½pc 1994‡‡	115	[illegible]	12.61	10.49

Five to Fifteen Years

AMERICANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
32⅝	26¼	Abbott Laboratories‡	32½xd	+⅜	$1.20	–	2.1
537p	361p	♦Allegheny & W 1c	491p	+17	30c	–	3.6
15[illegible]	12[illegible]	Amax $1	14[illegible]	+[illegible]	40c	–	1.6
11⅞	976p	Amdahl 5c	989p	+5	h10c	–	0.6
31¾	25½	Amer. Cyanamid $5	30½	+⅛	$1.20	–	2.3
18¾	14[illegible]	Amer. Express 60c	18⅞xd	+[illegible]	84c	–	2.6
12¼	854p	Amer. Medical Int. $1	12¾	–¼	φ72c	–	3.4
19	15¾	American T. & T. $1	18¼	+¼	$1.20	–	3.7
30[illegible]	26[illegible]	Ameritech $1	30½xd	+¼	h$2.92	–	5.6
14[illegible]	9⅝	BankAmerica $1[illegible]	14½	–[illegible]	60c	–	2.4
25⅝	19½	Bankers N.Y. $1	25⅛xd	+⅞	$2.08	–	4.7
45¾	38½	Bell Atlantic $1	45¾	+⅛	$4.08	–	5.3
25¾	19¾	BellSouth Corp	25¼	+½	$2.36	–	5.4
15⅞	12[illegible]	♦Bethlehem Steel $8	14¼xd	+⅛	–	–	–
11⅝	929p	♦Bio-Rad Labs. A	11⅛	+¼	–	–	–
17¼	15¼	Bowater Inc	16¾	–⅛	$1.12	–	3.9
12	9¼	Brunswick 75c	11¼xd	–¼	44c	–	2.2
31[illegible]	28¾	CPC Intnl. 25c	31[illegible]	+[illegible]	$1.60	–	3.0
19¼	17¾	CSX $1	17¾	–¼	$1.24	–	4.1
798p	333p	California Engy	524p	+2	–	–	–
19⅞	17¼	Campbell Soup 15c	19⅞	+¼	92c	–	2.7
22[illegible]	15[illegible]	Chase Manhattan $12½	22[illegible]	+[illegible]	$2.36	–	6.1
21½	17	Chem. Banking Corpn	21½	+[illegible]	$2.72	–	7.4
16¾	14[illegible]	Chrysler $6¼	14⅞xd	+⅛	$1.20	–	4.7
17⅝	14[illegible]	Citicorp $1	17⅝xd	+¼	$1.48	–	4.9
230p	169p	CityFed Fin. Corp	186p	–6	4c	–	1.3
28½	25¼	Colgate-Palmolive $1	28½xd	+¼	s$1.48	–	3.0
21½	16⅞	Cons Freightwys 62½c	17¼	......	98c	–	3.2
12½	10¾	Cont'l Bank Corp $4	12½	+⅛	8c	–	0.4
388p	3¼	♦Corporate Data Scnce	3¼	......	–	–	–
386p	278p	Cullinet Sftwr 1c	298p	+9	–	–	–
22[illegible]	21[illegible]	Dana Corp. $1	22⅞	+⅛	$1.60	–	4.1
10[illegible]	881p	Data General	895p	+12	–	–	–
32¾	28⅝	Dun & Bradstreet $1	30	+½	$1.74	–	3.4
34[illegible]	30½	Eaton Corpn. 50c	33[illegible]xd	......	k$2.00	–	3.5
10	8⅞	Echlin Inc	9½xd	–⅛	70c	–	4.3
18[illegible]	16⅞	FPL Group 1c	17¼xd	+¼	$2.20	–	7.2
32¼	27[illegible]	Ford Motor $1	29	+[illegible]	$3.00	–	6.0
33⅞	30[illegible]	GATX 62½c	33¼	+⅛	$2.00	–	3.5
27¼	24¼	Gen. Elect. 63c	26½xd	+⅛	$1.64	–	3.6
567p	484p	♦General Host Corp $1	543p	+18	28c	–	3.0
21⅜	18¼	Gillette $1	21⅜	+[illegible]	96c	–	2.6
769p	616p	Gt Am First Svgs Bk $1	699p	+11	60c	–	5.0
18	16[illegible]	Greyhound $1½	18	+½	$1.32	–	4.3
11½	847p	Hasbro Inc 50c	10⅝	+¼	16c	–	0.9
8½	6	Home Group $1	8½xd	+¼	20c	–	1.4
39[illegible]	32¼	Honeywell $1½	39½	+⅞	$2.10	–	3.1
16⅝	15¼	Houston Inds.‡	16¾	+¼	$2.96	–	10.6
74⅝	63¼	IBM Corpn $1¼	65	+½	$4.40	–	4.0

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

Money Market Trust Funds

Money Market Bank Accounts

Continued on next page

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✢ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	92	......
Craig & Rose £1 .. γ	720	......
Finlay Pkg. 5p .... γ	91	......
Holt (Jos) 25p ..... γ	1280	......

IRISH

Cap. 8½% Ln. 1991 ...	£100⅞	......
9pc Cap Ln. 1996 ..	£101	......
Fin. 13% 97/02 ...	£120½	......
Arnotts	465	-15
Carrol (P.J.) ...... γ	150	......
Hall (R. & H.)	145	......
Helton Hldgs .... γ	70	......
Irish Ropes	162	+2

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	43
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	65
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	48

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bank of Japan sells dollar

THE DOLLAR and sterling weakened on the foreign exchanges yesterday. Trading was subdued and nervous, with the dollar losing ground after the Bank of Japan intervened in Tokyo, while the pound declined on fears about the UK trade position.

The tone was set in Europe after the Bank of Japan sold dollars against the yen in the Far East and the Bank of England sold dollars against sterling in early London trading.

Intervention was not on a large scale, but had a psychological impact on the market and prevented any further advance by the dollar or another weakening of the pound.

Sterling's decline prompted suggestions that the UK authorities may decide on another rise in bank base rates if the situation continues, but this was not born out by a fairly comfortable day on the London money market, where interest rates moved up by only about 1/8 per cent.

Traders in the market expressed some surprise that the pound fell so sharply, on adverse press comment at the weekend, when it had held reasonably steady at the end of last week, in spite of another set of disappointing UK trade figures on Wednesday.

One dealer said "The pound is getting the tonking it deserved last week, after a truly grim set of trade figures, but the market's ability to ignore the blindingly obvious at least gave bags of time to go short." The Bank of England's intervention had the desired effect, when sterling slid below $1.6800 in early London trading. It followed hard on the heals of news that the Bank of Japan had intervened to depress the dollar in Tokyo.

This came after the Group of Seven meeting in Washington last weekend. It was the first time the Japanese central bank had been seen in the market to sell the dollar, since the Plaza currency agreement struck between the G7 in 1985. It was estimated the Bank of Japan sold around $10m at Y133.20 yesterday, in line with a rate of DM1.90, the highest level against the D-Mark since last August. The Japanese authorities may have sold dollars again at Y133.05, and this was followed by intervention from the West German Bundesbank. The Bundesbank sold dollars on the open market and at the Frankfurt fixing.

At the close in Europe the dollar had fallen to DM1.8820 from DM1.8940; to Y132.05 from Y132.45; to SFr1.6480 from SFr1.6610; and to FFr6.3525 from FFr6.3940. According to the Bank of England, the dollar's index fell to 68.5 from 68.8.

Sterling stabilised after its early reversal. The pound was about 1 cent lower on the day at one time, at $1.6765, but rallied, to close at $1.6860, compared with $1.6880 on Friday.

Sterling also fell to DM3.1725 from DM3.1975; to Y222.75 from Y223.50; to SFr2.7775 from SFr2.8050; and to FFr10.7100 from FFr10.7925. On Bank of England figures, the pound's index fell 0.5 to 95.0.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5666	+2.61	+0.92	±1.5344
Danish Krone	7.85212	8.10361	+3.20	+1.51	±1.5404
German D-Mark	2.05853	2.08084	+1.08	-0.61	±1.0981
French Franc	6.90403	7.01968	+1.68	-1.00	±1.3674
Dutch Guilder	2.31943	2.34654	+1.17	-0.52	±1.5012
Irish Punt	0.768411	0.780085	+1.52	-0.17	±1.6684
Italian Lira	1483.58	1526.48	+2.89	+1.90	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Apr.3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6760 - 1.6880	1.6855 - 1.6865	0.40-0.37cpm	2.74	1.15-1.10pm	2.67
Canada	1.9975 - 2.0100	2.0450 - 2.0460	0.18-0.07cpm	0.73	0.42-0.25pm	0.66
Netherlands	3.57¼ - 3.58½	3.57½ - 3.58½	1⅞-1¾cpm	6.08	5½-5¼pm	6.08
Belgium	66.20 - 66.70	66.40 - 66.50	29-26cpm	4.97	82-76pm	4.76
Denmark	12.34 - 12.37¾	12.35 - 12.36	4⅞-3⅞orepm	4.25	13⅝-13pm	4.31

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

FINANCIAL FUTURES

Sterling prices weaker

SHORT-STERLING futures lost ground in the London Liffe market yesterday, following a surprise upward revision in UK February retail sales and a poor performance by the pound.

Investors were less than impressed with the upward revision in sales, given the attempts by the authorities to curb consumer spending. A small rise in cash rates added to the sombre note, and the June short sterling contract fell to 87.04 from 87.14 on Friday. Many traders see the next support level at 86.92, and this seems likely to be tested, unless there is a change in the current bearish attitude.

Long gilt prices were weaker on fears of higher interest rates. An announcement by the Treasury stressing that the underlying rise in retail sales (after an upward revision to 3.1 per cent from 2.5 per cent in the February figure) was relatively small, failed to provide any comfort to the market. The June gilt price closed at 96-03, down from 96-11 at the opening, and 96-19 on Friday.

US Treasury bond futures moved firmer, reflecting a fall in US grain prices, which should help to reduce inflation. Sentiment was also buoyed by suggestions of a sharp slow down in the US economy, as suggested in the March purchasing managers' survey. Underlying sentiment was also helped by a weaker tone in oil prices.

The June bond future opened at 88-19 and closed at the day's high of 88-25.

LONDON (LIFFE)

CHICAGO

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	0.6100	0.6105	0.6079	0.6072
Sep	0.6170	0.6170	0.6145	0.6138
Dec	0.6235	0.6235	0.6220	0.6208

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Jun	298.25	298.40	297.80	298.25
Sep	302.40	302.50	302.40	302.70
Dec	306.70	306.90	306.70	307.10

EUROPEAN OPTIONS EXCHANGE

Series		May 89 Vol	May 89 Last	Aug. 89 Vol	Aug. 89 Last	Nov. 89 Vol	Nov. 89 Last	Stock
Gold C	$400	58	3.50	–	–	–	–	$385.60
Gold C	$420	218	1	40	7	5	15	$385.60
Gold P	$390	200	8	–	–	4	12	$385.60
		Apr. 89		May 89		Jun. 89		
EOE Index C	Fl. 265	51	16.70	15	14	–	–	Fl. 282.61
EOE Index C	Fl. 270	149	12.80	159	10.80	10	12	Fl. 282.61
EOE Index C	Fl. 275	355	8.20	296	7.80	–	–	Fl. 282.61
EOE Index C	Fl. 280	780	4.80	592	5.20	35	7	Fl. 282.61
EOE Index C	Fl. 285	585	2.40	717	3.20	4	4.50	Fl. 282.61
EOE Index C	Fl. 290	138	1.10	23	1.80	–	–	Fl. 282.61
EOE Index P	Fl. 260	125	0.20	6	1.30	–	–	Fl. 282.61
EOE Index P	Fl. 265	136	0.40	10	1.90	–	–	Fl. 282.61
EOE Index P	Fl. 270	206	0.70	30	3.20 a	5	5	Fl. 282.61
EOE Index P	Fl. 275	248	1.40	135	4.90	3	7.20	Fl. 282.61
EOE Index P	Fl. 280	452	3	304	7.70	–	–	Fl. 282.61
EOE Index P	Fl. 290	115	9	15	14.50	–	–	Fl. 282.61
£/Fl C	Fl. 360	–	–	25	1.30	5	1.50	Fl. 358.29
$/Fl C	Fl. 205	30	8	–	–	3	8.20 a	Fl. 212.80
$/Fl C	Fl. 215	61	0.80	23	1.30	4	2	Fl. 212.80
$/Fl P	Fl. 200	–	–	–	–	23	0.80	Fl. 212.80
$/Fl P	Fl. 205	–	–	100	0.60	–	–	Fl. 212.80
		Apr. 89		Jul. 89		Oct. 89		
ABN C	Fl. 40	84	2.10	216	2.60	288	3	Fl. 41.70
ABN P	Fl. 40	156	0.20	–	–	107	2.50 a	Fl. 41.70
Aegon C	Fl. 95	160	1.20	122	2.70	14	4	Fl. 93.10
Aegon P	Fl. 95	40	2.20	–	–	–	–	Fl. 93.10
Ahold C	Fl. 95	42	7.30	114	9	–	–	Fl. 102.30
Akzo C	Fl. 150	1479	3.80	944	6	69	9	Fl. 152
Akzo P	Fl. 150	597	1.20 b	359	6.40	17	7.30	Fl. 152
Amev C	Fl. 55	48	0.90	73	1.30	31	2.50	Fl. 52.20
Amev P	Fl. 55	10	3.30	17	4.50	60	5.50	Fl. 52.20
Amro C	Fl. 80	28	2	130	2.90	259	4	Fl. 81
Amro P	Fl. 80	7	2	435	3.30	25	4.60	Fl. 81
BUHRMANN-T C	Fl. 65	698	2.80	249	3.60	28	5	Fl. 67.50

TOTAL VOLUME IN CONTRACTS: 55,756
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Slightly firmer tone

UK INTEREST were slightly firmer in London yesterday as sterling came under renewed downward pressure. The key three-month interbank rate moved up to 13⅛-13 per cent from 13⅛-13 per cent while the one-year rate was higher at 13⅛-12⅞ per cent from 13-12⅞ per cent.

An upward revision in February UK retail sales added further to the nervous tone by suggesting that consumer spending may still be rising.

UK clearing bank base lending rate 13 per cent from November 25

The Bank of England forecast a shortage of around £200m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance drawing £142m. Exchequer transactions accounted for a further £655m. These were partly offset by a fall in the note circulation of £480m and banks' balances brought forward £105m above target.

The Bank gave assistance in the morning of £189m through outright purchases of eligible bank bills in band 4 at 12¾ per cent. There was no further help in the afternoon, but late assistance came to £50m, making a total £239m.

In Paris, the Bank of France left its money market intervention rate unchanged at 8.25 per cent when adding additional liquidity to the money market. A total of FFr72.4bn was allocated, more than offsetting maturing agreements of FFr68.7bn.

Trading conditions in the money market and in currency markets have been relatively subdued lately, and most traders do not expect an early change in French interest rates.

Short-term money rates moved up quite sharply in Frankfurt as traders awaited the results of the Bundesbank's latest sale and repurchase tender. Demand for short term funds reflected a move by commercial banks to pick up funds to bolster their holdings. Banks are anxious to bolster their reserves with the Bundesbank because many fear a rise in interest rates in order to support the D-Mark against the US dollar.

The trend in West German interest rates is likely to be determined by the terms of the Bundesbank's next sale and repurchase tender, due today. A total of DM37.5bn will be drained from the market tomorrow as two previous facilities expire. However, despite the firmer tone in rates, most traders do not expect an increase in key lending rates after the Bundesbank central council meeting on Thursday

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CROSSWORD

No.6,900 Set by DANTE

ACROSS
1 Sickness benefits dishonestly obtained? (3-6,5)
10 It's not clear it's changing in my case (5)
11 Successfully learning how to handle new emigrants (9)
12 Time the bowler started? More than time! (7)
13 Drink to give us the shivers? (7)
14 Do a rough job of cleaning (5)
16 Began by being put in the picture (9)
19 Taking notice, but not retiring (7,2)
20 They may be used for storing stretchers (5)
22 Invest in a unit of the open market (7)
25 Unusual angle for a crank (3,4)
27 Taking Mickey – to prison? (7,2)
28 Invents a new word for hard currency (5)
29 Cutting corners in a way when rebuilding (14)

DOWN
2 How one fought miserliness? (6,3)
3 Ridiculed a conductor, we hear (5)
4 Calming down anger with a gin cocktail (9)
5 Facilitated a seed's germination (6)
6 He threw his arms about in an offensive way (9)
7 A piece of cake? But not to the pilot's liking (5)
8 Saw about the digs? (7)
9 Do some relief work? (6)
15 Ordered out in rain – a real downfall (9)
17 I am in time to obtain a letter of improvisation (9)
18 I can set it out, providing one plans the moves (9)
19 Is cross, being cut (7)
21 A division of the church (6)
23 Describing a boom in restored icons (5)
24 A clue more entertaining than instructive (5)
26 Tube holding a gold coin (5)

Solution to Puzzle No.6,899

JOTTER PAD

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN PIONEER ELECTRONIC CORPORATION

Public Notice of Record Date
Notice is hereby given that, pursuant to the provisions of Article 10 of the Articles of Incorporation of the Company, any shareholder having voting ...

Notice to the Holders of
EUROPEAN INVESTMENT BANK
Italian Lira 150 Billion
Floating Rate Notes Due 1996

Coupon no. 3 due from March 31, 1989 to September 29, 1989 will be payable from September 29, 1989 at the rate of:

Itl. 322.292 per Itl. 5.000.000.- Nominal
Itl. 3.222.920 per Itl. 50.000.000.- Nominal

April 4, 1989

B.A.I.I. FINANCE COMPANY N.V.

THE COMMERCIAL BANK OF THE NEAR EAST PLC

LEGAL NOTICE

CLARENCE INSULATION SERVICES LIMITED

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices March 31

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
2000	CHUM B f	$20	19½	20	+ ½
43100	Cineplex	$15⅝	15⅜	15½	+ ⅛
14100	Co Steel f	$17¾	17½	17½	− ¼
145207	Cominco	$27	26⅞	26⅞	+ ⅛
3481	Computlog	$5⅛	5⅛	5⅛	
64750	Connaught	$28⅛	28	28⅛	+ ⅛
1400	Con Bath A	$24¾	24¼	24¾	
7528	C HCl A f	$10⅜	9⅞	10¼	+ ⅛
10460	Con TVX	$7	6⅞	7	+ ¼
889	Cnsum Gas	$25⅞	25⅛	25⅞	+ ⅛
37050	Intl Thom	$18⅛	18	18⅛	
27150	Inv Grp	$18½	18⅛	18½	+ ⅛
888	Ipsco	$19¾	19¼	19¼	− ½
3309	Ivaco A f	$11½	11⅜	11½	+ ⅛
19805	Jannock	$19½	18⅞	19	− ⅜
50	Kelly DA	$75	75	75	
1300	Kerr Add	$21	20⅞	21	+1
25050	Labatt	$22⅝	22⅜	22⅝	+ ⅛
16414	Lac Mnrls	$12½	12¼	12¼	− ⅛
1380	Lafarge p	$18¾	18¾	18¾	+ ⅛
31489	SHL Syst	$10	9⅞	10	+ ⅛
3900	St. CemA f	$16⅛	16⅛	16⅛	
5500	Samuel MT	$15⅛	14⅞	15⅛	+ ⅛
141002	Saskoil	$10	9⅞	10	+ ⅛
17718	Sceptre	425	420	420	
300	Scot Paper	$18	18	18	+ ⅛
4875	Scotts f	$14⅞	14¾	14⅞	+ ⅛
600	Scotts C	$15⅝	15⅝	15⅝	− ⅛
53423	Seagram	$83	82¼	83	+ ¼
58021	Sears Can	$12⅝	12⅝	12⅝	+ ⅛

[illegible]

(f) – No voting rights or restricted voting rights.

MONTREAL
Closing prices March 31

Sales	Stock	High	Low	Close	Chng
16000	Cascades	$6½	6⅛	6½	+ ⅛
4791	DomTxtA	$14	14	14	
8240	Memotec	$10	9⅞	10	
5180	MntTrst	$23⅛	23⅛	23⅛	
180815	NatBk Cda	$13⅛	12⅞	13	+ ⅛
18883	Noverco	$11⅝	11½	11⅝	+ ⅛
18375	Power Corp	$15⅛	15⅛	15⅛	
13140	Provigo	$10⅛	10	10⅛	+ ⅛
4250	SteinbrgA	$39⅛	39	39⅛	
13635	Videotron	$16	15⅛	15	+ ⅛

Total Sales 4,541,284 shares.

INDICES

NEW YORK — DOW JONES

	Mar 31	Mar 30	Mar 29	Mar 28	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2293.62	2281.34	2281.52	2275.54	2347.14 (7/2)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.59	87.44	87.39	87.43	89.62 (8/2)	87.35 (23/3)	–	–
Transport	1060.16	1027.98	1032.02	1032.18	1087.97 (7/2)	959.95 (3/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	184.05	183.84	182.75	182.91	191.15 (24/1)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2303.34 (2296.92) Low 2277.49 (2264.30)

STANDARD AND POOR'S	Mar 31	Mar 30	Mar 29	Mar 28	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	294.87	292.52	292.35	291.59	299.63 (7/2)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	339.42	336.86	336.92	336.02	346.41 (7/2)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	27.83	27.57	27.34	27.12	27.83 (31/3)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	165.63	164.38	164.25	163.88	168.10 (16/3)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	328.31	325.47	325.58	325.45	332.52 (16/3)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	406.73	404.56	403.70	402.60	409.51 (16/3)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Mar 17	Mar 10	Mar 3	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.70	3.70	3.35

	Mar 15	Mar 8	Mar 1	year ago (approx.)
S & P Industrial div. yield	3.13	3.16	3.23	2.94
S & P Indl. P/E ratio	13.17	13.04	12.68	15.35

TRADING ACTIVITY † Volume (Millions)

	Mar 31	Mar 30	Mar 29
New York	170.980	159.950	144.240
Amex	10.777	9.662	10.183
OTC	(u)	115.613	122.960

NEW YORK	Mar 31	Mar 30	Mar 29
Issues Traded	1,951	1,919	1,929
Rises	1,030	715	727
Falls	413	686	643
Unchanged	508	518	559
New Highs	76	45	36
New Lows	34	38	31

CANADA

TORONTO	Mar 31	Mar 30	Mar 29	Mar 28	1989 High	1989 Low
Metals & Minerals	3327.7	3282.2	3265.0	3261.1	3564.9 (6/2)	3207.5 (3/1)
Composite	3578.2	3561.0	3561.0	3560.8	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1785.74	1735.32	1770.90	1764.69	1850.44 (8/2)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Embart	6,117,300	39⅛	− ⅛
NWA	3,072,200	84⅞	+ 16⅝
J.P. Morgan	2,608,500	39⅞	+ ½
Pan Am	2,560,700	4⅞	+ ½
SCEcorp	2,511,500	31⅞	+ ⅞
Citizens & Stle	2,427,200	35⅞	+ 9⅛
Brunswick	2,306,500	19⅝	− ⅝
SmithKline Beckman	2,295,100	60⅞	+ 5⅛
Citicorp	2,195,100	29¾	+ ⅛
Illinois Power	2,040,000	14½	+ ½

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr. 3	Mar. 31	Mar. 30	Mar. 29	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1452.0	1459.6	1467.0	1479.7	1551.7 (31/1)	1448.1 (17/2)
All Mining (1/1/80)	668.2	673.2	680.3	688.7	727.0 (26/1)	654.6 (16/2)
AUSTRIA						
Credit Aktien (30/12/84)	290.07	285.34	280.14	277.83	290.07 (3/4)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	5740.30	5710.18	5688.37	5673.03	5834.01 (10/2)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	292.07	289.62	290.39	292.07 (31/3)	275.49 (27/2)
FINLAND						
Unitas General (1975)	793.4	791.8	784.0	781.4	793.4 (3/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	446.8	445.0	446.3	445.3	457.3 (6/2)	417.9 (4/1)
Ind. Tendance (30/12/88)	105.4	104.9	104.6	104.6	108.1 (3/2)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	561.57	553.97	552.12	550.29	569.27 (8/2)	535.78 (27/2)
Commerzbank (1/12/53)	1669.7	1646.9	1641.5	1636.3	1705.6 (5/1)	1595.7 (27/2)
DAX (30/12/87)	1344.35	1322.66	1315.47	1309.26	1371.10 (5/1)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2987.21	3004.98	2980.76	3032.98	3209.96 (9/2)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	605.96	608.32	608.92	608.76	615.89 (17/1)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33042.07	32838.68	32826.13	32737.2	33042.07 (3/4)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2467.52	2469.15	2456.23	2447.59	2490.07 (8/2)	2366.91 (6/1)
NETHERLANDS						
CBS Tdl.Rtn.Gen.(End 1983)	230.7	229.3	228.5	227.7	230.7 (3/4)	208.3 (3/1)
CBS All Shr (End 1983)	184.5	183.4	182.7	182.2	184.5 (3/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	615.51	608.06	598.36	596.22	615.51 (3/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1187.27	1189.78	1190.80	1194.63	1194.63 (29/3)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1597.0‡	1586.0	1592.0	1594.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2464.0‡	2460.0	2427.0	2404.0	2464.0 (3/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	287.63	282.75	280.93	280.25	287.63 (3/4)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3890.9	3870.6	3876.3	3884.6	3890.9 (3/4)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	659.8	658.4	657.6	658.5	659.8 (3/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	503.4	500.8	500.0	519.0 (17/2)	491.2 (28/3)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 3 April 1989

	Stocks Traded	Closing Prices	Change on day
KHI	42.9m	982	-3
Fuji Elec	31.5m	1,240	+40
Toray	31.3m	1,020	+40
IHI	31.2m	1,280	+40
Mitsui Toatsu	29.8m	1,210	uch
Mitsui Petchem	29.4m	2,200	+30
Mitsui Eng & Ship	29.3m	918	+4
Asahi Chem	29.1m	1,380	+40
Mitsubishi Metal	28.3m	1,200	+80
Mitsubishi Petchem	28.0m	2,00	+30

4pm prices March 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Data omitted because of technical difficulties

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25	14¾	DataGn				1272	15⅛	14⅞	15	+ ⅛
5⅛	3½	Datapt				53	3⅝	3½	3⅝	+ ⅛
26⅞	21¼	Datpt pf4.94		23.		26	22	d21½	21½	− ½
10¼	5½	DtaDsg	.24	3.6	11	334	6⅝	6⅛	6⅝	+ ½
17¼	11	DavWtr	.28	1.7	17	16	15	14⅞	15	+ ¼
48⅛	31⅝	DaytHd	1.12	2.5	13	2942	45⅛	44⅝	45⅛	+ ⅞
31⅞	24⅞	DeanFd	.60	2.0	15	230	30¼	30	30¼	+ ¼
9¾	5⅞	DWGI	.92a	10.		472	9	8⅞	9	+ ⅛
53	41⅛	Deere	1.20	2.3	14	2498	52⅞	51¾	52⅞	+ 1⅛
18⅝	15½	DelVal	1.80	11.	9	27	16¼	15⅞	16¼	+ ⅜
19	16½	DelmPL	1.50	8.5	10	221	17¾	17½	17¾	+ ¼
59⅞	45	DeltaAr	1.20	2.0	8	3463	59⅞	58⅞	59⅞	+ ⅞
13¼	8⅝	DeltaW	.20	1.6	8	66	12⅜	12⅛	12⅜	+ ¼
6¾	4⅝	Deltona				22	5	4⅞	5	
28⅛	21	Deluxe	.92	3.3	16	1075	27½	27	27½	+ ½
38½	25⅞	DensMf	1.32	4.6	12	130	u28⅝	28½	28½	
52½	28⅞	DeSoto	1.40	2.9	62	1258	49⅝	47½	48⅞	− ¾
18½	12	DetEd	1.68	9.4		2009	17⅞	17⅝	17⅞	+ ¼
90½	82	DetE pf9.32		11.		z300	85	85	85	
72¼	66	DetE pf7.36		11.		z10	68½	68½	68½	− 1½
24½	21	DetE pr2.28		10.		2	22¼	22¼	22¼	+ ¼
34¼	20¼	Dexter	.80	2.8	20	2271	29	28½	28⅞	+ ¼
45½	34½	DiagPr	.32	.8	20	53	39½	39¼	39½	+ ½
30½	19⅝	DiGior	.64	2.2	17	234	29⅛	29	29¼	+ ¾
16¾	9¼	DiaSO	2.80	26	18	833	11	10⅝	10¾	− ⅝
20¾	12¼	DShRM	.44	2.1	10	776	u21	19½	21	+ 1½
31	24⅛	DShR pf	2	6.5		117	31	30½	31	+ ¾
8	4	DianaCp				30	5⅝	5⅜	5⅝	+ ⅛
47¼	34	Diebold	1.40	3.3	16	161	43⅛	42⅞	42⅞	− ¼
38	16½	DigtlCm			10	534	18⅝	18⅜	18½	
122⅛	86⅛	Digital			11	7285	98⅝	98	98½	+ ¼
17⅞	12	DimeNY	.60	4.4	7	332	13¾	13½	13¾	+ ⅜
78¾	54¼	Disney	.48	.6	19	1762	78⅝	78	78½	+ ¾
29⅛	23½	DEI	1.52	6.1	10	149	25⅛	24⅞	25	− ⅛
6¼	3½	Divrsin			16	27	6½	5½	5½	
10½	7¼	DixnG n		2.0	8	30	8½	8½	8½	
45	40⅞	DomRs	3.20	7.8	9	925	40⅞	40⅝	40⅞	+ ¼
14½	9¾	Domtar	.50			498	12⅝	12½	12⅝	+ ⅛
25¼	16¾	Donald s	.38	2.2	10	179	17⅜	17¼	17⅜	+ ⅛
39⅛	32	Donlley	.88	2.4	14	771	36⅞	36⅝	36⅞	+ ⅜
36⅝	26⅝	Dover s	.68	2.4	13	1367	28	27⅝	27⅞	+ ⅛
100½	78¼	DowCh	3.20	3.5	7	5492	92⅛	91½	91¾	+ ⅜
36½	29¼	DowJns	.72	2.3	14	671	32	31⅛	31⅞	+ ¾
20¼	13⅛	Downey	.40	2.3	6	182	17¼	17	17⅛	+ ⅛
19⅞	11⅞	Dravo			26	348	19⅛	19	19⅛	
38⅝	25⅛	Dresr	.80	2.2	19	2042	37¼	36⅞	37⅛	+ ½
8⅝	5	Dreshr	.16	3.2	18	35	5¼	5	5	− ⅛
30¼	24¼	Dreyfus	.52	1.9	13	256	28¼	27⅞	28	− ⅛
10⅝	9⅝	DrySttr	.78a	7.7		389	10⅛	10⅛	10⅛	
12	10¼	DrySiG	n1.30	12		136	10½	10¼	10⅜	− ⅛
105	78½	duPont	4.20	4.1	11	3380	103¼	102¼	102¼	− ½
44	40	duPnt pf3.50		8.7		2	40⅛	40⅛	40⅛	
54⅝	49¼	duPnt pf4.50		9.0		3	50⅛	50¼	50¼	− ⅛

Travelling by air on business?

Enjoy reading your complimentary copy of the Financial Times when you are travelling on scheduled flights from . . .

. . . Geneva with
Air Canada, American Airlines, Crossair, British Airways, British Caledonian, Lufthansa, El Al, Swissair, TWA

. . . Zurich with
Aerolineas Argentinas, Dan Air, Jet Aviation, Crossair, El Al, Pan-Am, SAA, Swissair, TAP Air Portugal, TWA, Delta

. . . Basel with
Jet Aviation, Crossair

. . . Bern · Lugano with
Crossair

FINANCIAL TIMES
Europe's Business Newspaper

Continued on Page 47

هكذا من الأصل

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Continued from previous Page								
49¼	44½	Xerox pf	4.13	9.1		1	45¼	45¼	45¼	+ ¼
44¼	29⅛	XTRA	.72	1.9	14	318	37½	37	37½	+ ⅛
33	25	XTRA pf	1.94	6.8		542	29	28½	28½	− ⅝
3⅞	2	Zapata				318	2⅞	2⅝	2⅞	
27⅞	18⅝	Zayre	.40	1.6	189	3569	25⅞	24⅞	25⅞	+ ½
16½	11	Zemex	.40	3.6	23	4	11⅛	11⅛	11⅛	
30	16½	ZenithE			95	683	18¾	18½	18⅝	
10⅛	8⅞	Zenin n	.69e	7.3		70	9½	9⅜	9½	
2⅞	1	vjZenLb				241	2⅛	2	2⅛	+ ⅛
21⅝	15	ZenNtl	.80b	4.4	8	16	18¼	18	18¼	+ ¼
19⅞	13	Zero	.44	2.4	15	171	18¼	17⅞	18⅛	+ ⅛
29⅛	19	Zurnin	.68	2.4	15	189	28⅝	28½	28⅝	+ ⅛
11¼	9⅞	Zweig	1.07e	10.		298	10⅜	10⅛	10⅜	+ ⅛
10⅛	8⅞	ZweigT	n.24e	2.7		808	9⅛	8⅞	8⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices *March 31*

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
AT&E			107	9½	9¼	9⅛	+ ⅛
ATT Fd	2.23e		67	44¼	43¾	44¼	+ ⅞
Acton		16	21	20	19⅝	19⅞	− ¼
AirExp		9	98	14⅝	14½	14⅝	+ ⅛
AlbaW			15	6¾	6⅝	6⅝	+ ⅛
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 4pm prices March 31

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

No Financial Times... no comment

Before they write the news for you, the world's top business journalists consult the Financial Times. They know the meaning of the saying, "No FT... no comment."

So, too, do Europe's Chief Executives. A full 38.5% of them read the FT daily, which makes us by far the most popular international business newspaper in Europe.*

No wonder we're first choice. With almost 300 editorial staff worldwide, we give you the complete picture of every commercial, political and financial development that affects Europe's markets – and you.

And we get it to you when you need it most. Our presses in Roubaix and Frankfurt roll at 23.00 hrs., long after your national papers have gone to print. So you have the news as it happens – and the time to exploit it.

See how we'll sharpen your business edge. Take out your first subscription and we'll send you your first 12 issues FREE. Simply complete and send the coupon to Colin Kennard. Or call:

☎ (069) 75980

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

*A survey of European Chief Executives, 1986.

To: Colin Kennard, Financial Times (Europe) Ltd., Guiollettstrasse 54, D-6000 Frankfurt am Main 1. Tel: (069) 75980. Tx: 416193. Fax: (069) 722 677.
YES, I would like to subscribe to the Financial Times, Europe's leading business newspaper and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate:*

Austria	ÖS 5,225	Netherlands	Dfl 715
Belgium	BFR 10,980	Norway	NOK 2,170
Denmark	DKK 2,950	Portugal	ESC 36,000
Finland	FMK 1,830	Spain	Ptas 45,500
France	FFr 1,630	Sweden	SEK 2,200
Germany	DM 596	Switzerland	SFR 590
Italy	LR 495,000	Turkey	TL 185,000
Luxembourg	LFR 10,980		

*Currency rates are only valid for the country in which they are quoted. Subscription prices and promotion are valid until 31st December 1989.

☐ Bill me ☐ Charge my American Express/Visa/Eurocard/Diners Club Card account.

Card Expiry Date ___/___/___

☐ Please tick here for more information about 6- and 24-month subscription rates, or rates for a country not listed above (please specify)

Name ______
Title ______
Company ______
Tel: ______
Address to which I would like my Financial Times delivered:

Signature ______ Date ______

Travelling on Business?

Enjoy reading your complimentary copy of the Financial Times when you're staying . . .

. . . in **Madrid** at the
Holiday Inn, Hotel Miguel Angel, Hotel Palace, Hotel Princesa Plaza, Hotel Ritz, Hotel Villa Magna

. . . in **Barcelona** at the
Hotel Calderon, Hotel Diplomatic, Hotel Majestic, Gran Hotel Sarria

FINANCIAL TIMES
Europe's Business Newspaper

Have your F.T. hand delivered . . .

. . . at no extra charge, if you work in the business centres of COPENHAGEN or AARHUS

Copenhagen (01) 134441

And ask K. Mikael Heiniö for details.

FINANCIAL TIMES
Europe's Business Newspaper

FINANCIAL TIMES

AMERICA

Merger and bid activity encourages rally

Wall Street

A CLUTCH of mergers and acquisitions involving US companies and dollar resilience in the face of central bank intervention boosted the equity market yesterday, *writes Janet Bush in New York.*

After a shaky start when the Dow Jones Industrial Average dipped into negative territory, buying gathered pace. At 2 pm, the Dow stood 15.95 higher at 2,309.57 in moderately active volume of 104m shares.

The rally was mirrored in the US bond market which after a slow start rallied quite strongly as the dollar rebounded from its lows.

At midsession, long-dated Treasury bonds were quoted ¾ point higher, taking the yield on the Treasury's benchmark long bond to 9.02 per cent.

There were a number of positive developments for both markets. The latest US purchasing managers' report was released, pointing to a significant slowdown in economic growth in March compared with January and February.

Stocks and bonds had already rallied on Friday as speculation that the report would signal weakness circulated markets. Its official release yesterday showed that the managers' index was lower than rumoured.

The dollar was an important influence yesterday. In spite of a strongly worded statement by the Group of Seven that a further rally would be counter-productive, a statement backed by coordinated intervention which crucially included the Bank of Japan, the US currency managed to hold its own.

One negative for markets was a rise in crude oil prices with crude for May delivery quoted 42 cents a barrel higher on the New York Mercantile Exchange yesterday morning at $20.61.

The real incentive to the equity market was the number of new deals and speculation of pending takeover offers and situations.

MCA jumped $3⅝ to $56⅛ after a weekend report from a CBS radio station in Los Angeles that officials of the company were meeting with representatives of Sony to put the final touches to a takeover deal. Sony denied the report and MCA declined to comment on the activity in its stock.

Also in the entertainment sector, MGM/UA added $1⅛ to $17⅛ as the market reacted to news that Mr Kirk Kerkorian is to sell the bulk of the company to Qintex of Australia for more than $1bn.

There had been some doubt whether Mr Kerkorian would be able to find a buyer for the company and the news boosted other stocks in the entertainment and media sectors.

Tribune was another rumoured takeover candidate and jumped $3⅝ to $47⅝. Columbia Pictures Entertainment, which at one stage had been rumoured to be the target of Sony, added $⅛ to $17⅝.

SmithKline Beckman surged $4⅛ to $65⅝ after it emerged at the weekend that it was in merger talks with Beecham of Britain.

The company declined to comment on how long the two companies had been talking about a possible merger of their pharmaceutical and health care products operations. Beecham, trading on the over-the-counter market, added $⅞ to $30⅞.

Lockheed added $2⅞ to $49½ as it emerged that an investor group headed by Mr Harold Simmons had built up a 5.3 per cent stake in the company.

Carson Pirie Scott surged $7⅞ to $21¼ as P.A. Bergner & Co, a Milwaukee-based chain of stores, offered to acquire the company for at least $280m or $20 a share.

Citizens & Southern, the commercial bank, fell $1⅛ to $34⅞ on expectations that it would reject an offer from NCNB, the North Carolina-based bank.

Canada

prices followed the drop in base metals, golds and oils.

At midday the composite index had fallen 7.15 to 3,571.07 as declines outnumbered advances by 255 to 198 in turnover of 6.7m.

EUROPE

Frankfurt perks up as rate fears dissolve

THE WEEK started on a firm note for most European bourses as agreements on the currency front reduced interest rate worries, *writes Our Markets Staff.*

FRANKFURT had its most active day in recent weeks and share prices rose sharply on investor sentiment that interest rates had reached a peak.

The real-time 30-share DAX index closed at 1,344.35, up 21.69 points or 1.6 per cent. The midday FAZ added 7.6 to 561.57. The return of foreign investors helped to increase volume and stimulate domestic buying. Volume reached DM4.5bn.

"The market was strong all round – it's good to see it moving again," said one dealer.

Today's repurchase agreement of DM37bn in a split tender could give new indications about interest rates.

Banks were strong with Deutsche Bank closing DM13.5 higher at DM529.5 and Dresdner Bank up DM6.5 at DM321.5.

Chemical stocks also performed well, rising across the board. BASF added DM5.90 to close at DM298.90, Bayer put on DM4 to DM302 and Hoechst rose DM2.30 to DM304.80.

MADRID surged by 1.7 per cent as foreign and domestic investors boosted their buying, taking prices higher across the board. Construction, car and banking issues were all strong and the general index rose 4.86 to 287.63.

Turnover was estimated to be higher than Friday's $117m. One analyst said confidence was buoyed by the bourse's recent firmness as well as the feeling that the market would be well supported before the May 11 privatisation of oil group Repsol. An easing of money market interest rates was also seen as positive.

PARIS offered little in the way of excitement as corporate news was reduced to a trickle. Sentiment remained positive however and share prices firmed, with the OMF 50 index closing near its highs at 467.66, up 2.37. The CAC 40 index rose 10.96 to 1,655.77.

Interest focused on second line stocks, with heavy trading seen again in holding company SCOA – up FFr1.45 at FFr81.60 on turnover of 549,100 shares – meaning domestic operators were the main players, said one analyst. "Larger investors are very much in the market but they are sticking to the stocks they know." One dealer said there was a dearth of sellers.

Société Générale d'Entreprise, the roadworks group, jumped by 12.8 per cent in heavy volume totalling more than 1 per cent of the group's capitalisation and more than 10 times the normal daily volume. A total of 278,000 shares changed hands, and the stock rose FFr26 to FFr230. While interest has been focusing on the whole construction/engineering section, there is also the feeling that Générale des Eaux might be increasing its stake.

AMSTERDAM firmed in the morning but the rally did not follow through. The bourse ended generally firmer, the CBS All-Share trend closing 1.4 points up at 174.0 after reaching a year high of 174.2 earlier in the day.

Publisher Elsevier was the main attraction as it announced 1988 net profits in line with expectations, but good none the less at Fl 235.5m from Fl 163.2m. Its shares rose Fl 1.5 initially but drifted after profit-taking in the general market, closing 40 cents higher at Fl 65.40.

There was also strong interest in Bührmann Tetterode as speculation rose that it would form some sort of marriage with Ahrends, the office furniture group, without calling on its shareholders. Other strong stocks included KLM, which ended Fl 1.10 up at Fl 45.

MILAN recovered from a slow start but weak domestic interest saw volume retreat to around L20bn. The MIB index fell 4 points to 1,022, or 0.39 per cent down.

Going against the trend was Olivetti, which added L10 to L9,300 – and after hours added another L70.

ZURICH benefited from bullishness over the corporate results scene and the Crédit Suisse index added 2.8 to 564.0.

Brown Boveri continued to rise in response to its good results last week, with its participation certificates up SFr9 at SFr525 and its bearers SFr40 higher at SFr3,260.

STOCKHOLM recouped early losses to end at another record high, with the *Affärsvärlden* index up 4.7 at 1,133.8.

BRUSSELS finished mixed amid profit-taking and bargain-hunting and the cash market index rose 30.12 to 5,740.30.

OSLO kept climbing and the all share index put on 4.80 to a record 453.05 in hectic trading.

SOUTH AFRICA

A SMALL rise in the bullion price buoyed gold shares in thin trading. Vaal Reefs rose R2 to R347 while Freehold gained 50 cents to R35.50.

ASIA PACIFIC

Nikkei jumps in response to G7 currency agreement

Tokyo

THE ANTICIPATION of further price rises supported active buying that led the Nikkei Average to surge above the 33,000 level for the first time, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei Average closed a sturdy 203.39 points higher at 33,042.07. The day's high was 33,077.08 while the low was 32,847.31. Advances led declines by 527 to 406 with 132 issues unchanged.

Turnover at 1.43bn shares was robust for a Monday. However, the Topix index of all listed shares dropped 1.63 to 2,467.52. In London trading the ISE/Nikkei 50 index rose 2.89 to 1,983.48.

Investors took encouragement from the agreement reached at the meeting of the Group of Seven Industrial Nations to stabilise foreign exchange rates. The recent weakness of the yen against the dollar, and the possible effects that could have on *interest rates at home, has* been one of the big dampening factors on the equity market lately.

The dollar-selling intervention by the Bank of Japan, the first such intervention in three years and five months, also helped to ease investors' concerns about a further weakening of the yen. Expectations of further strength in the equity market, with funds from massive bond redemptions expected this year, also helped to encourage active buying.

Individual investors continued to take an active part in the market. The introduction of the new capital gains tax, involving a tax on all capital gains, is believed to be stimulating activity by individual investors with large funds. Under the previous system capital gains were taxed only if the number and value of transactions exceeded a certain amount. A recent survey by a leading newspaper found that most analysts expect the new tax, which removes such restrictions on frequency of transaction, will stimulate activity by individual investors.

Interest focused on lower-priced laggards. Among them were chemicals such as Mitsui Petrochemicals, which rose Y30 to Y2,200 and Asahi Chemical, which added Y40 to Y1,380. Mitsubishi Petrochemical also gained Y30 to Y2,000.

Chemicals, metals and paper issues were also favoured as inflation-hedging stocks. Mitsubishi Metal rose Y80 to Y1,200 in heavy trading. Oji Paper advanced Y120 to Y2,100.

Textiles were *popular* for their low prices, while some were selected on the strength of their restructuring efforts. Toray, third on the volumes list with 31.3m shares, rose Y40 to Y1,020 while Kuraray added Y60 to Y1,330.

Pharmaceuticals put in a stellar performance. Sankyo added Y290 to Y2,690 while Daiichi Seiyaku advanced Y350 to Y2,940. Dainippon Pharmaceutical rose Y130 to Y2,350 and Takeda increased Y80 to Y2,530.

Steels and shipbuildings were mixed. Although large brokers had supported steels as market leaders, institutional investors were wary of them. Nippon Steel dropped Y7 to Y928. Kawasaki Heavy Industries, top on the volumes list with 42.9m shares, lost Y3 to Y982. Ishikawajima Harima Industries, however, gained Y40 to Y1,280 in heavy trading.

Individually, Fuji Electric, second on the volumes list with 31.5m shares, rose Y40 to Y1,240.

Koito Manufacturing, the leading maker of automotive lighting equipment, plunged Y260 to Y4,830. The company said that Boone Corporation, the company owned by US corporate raider T. Boone Pickens, has emerged as the leading *shareholder with more than 20* per cent of shares.

Pharmaceuticals supported the Osaka market where the OSE average added 207.47 points to 31,595.84 in turnover of 136.47m. Sankyo, the pharmaceutical company, gained Y380 to Y2,700.

Roundup

OTHER Asia Pacific markets drifted lower in slow activity.

HONG KONG saw dull and quiet trading, the Hang Seng index ending below the 3,000-point support level after falling 17.77 to 2,987.21.

The broader-based Hong Kong index shed 12.49 to 1,977.94.

Turnover was a modest HK$969.2m against Friday's HK$1.10bn. The Amoy Properties placement announced on Friday accounted for about HK$300m of the total.

Hang Seng was up 25 cents to HK$31.50 while Swire Pacific A lost 20 cents to HK$20.60.

Hang Seng index futures also slipped, with April shedding 14 to 3,011, June down 15 to 3,070 and August down 24 to 3,131.

A total of 777 lots were traded and the All Ordinaries closed down 13.24 at 1,790.30.

AUSTRALIA drifted lower on one of the quietest trading days as high interest rates and the strength of the Australian dollar forced investors away from the national market.

The All Ordinaries Index lost 7.6 points to close just above the 1,450 support level at 1,452.0. Turnover amounted to 55.6m shares worth A$78.9m as declines led advances by 222 to 93.

In a listless industrial sector, Qintex added 10 cents to A$4 following the takeover of MGM/UA Communications in the US. Its offshoot Qintex Australia remained steady at A$1.50.

News Corp was also up 10 cents at A$11.75 and Crestwin Corp up 2 cents at 60 cents, while TNT was steady at A$3.18, as was Boral at A$3.12.

BHP was ahead 4 cents at A$7.64, while Newhaven Park Stud was unchanged at 26 cents as 1.9m shares, or about 4 per cent of its issued capital, crossed in one special sale at 4 cents above market price.

SINGAPORE closed lower on profit-taking in moderate trading in spite of gains in Wall Street and Tokyo, as the local market saw some correction after recent rises.

The Straits Times industrial index shed 2.51 points to 1,187.27. Turnover declined to 76.9m shares from Friday's 98.3m, with declines leading gains by 143 to 67.

Some cautious operators took profits, with the bulk of the activity again concentrated on warrants and lower-priced issues.

Japan leads best week of the year

By Hilary de Boerr

INTERNATIONAL equities enjoyed their best week of the year last week as stock markets in Japan and the US sprang into life.

The World Index jumped by 3.9 per cent in sterling terms – its highest weekly rise this year – according to the FT-Actuaries World Indices. Japan was the top performer, with a surge of 5.4 per cent, while the US rose by 4 per cent.

The week began slowly, as investors trickled back from the Easter break, but by Tuesday Japan was jumping. The Nikkei average surged by 1.2 per cent that day – its largest rise since January 1988 – and hit new highs daily for the rest of the week.

Investors, especially individuals, were inspired by the start of trading for the new year account and by the new capital gains tax system. Window-dressing by institutions keen to put in a good showing for the 1988 fiscal year also boosted demand.

Japan's jubilance proved a boon for Wall Street, where trading remained rather thin post-Easter.

The strength of the dollar also buoyed sentiment in the US market, and was behind the strong sterling performance of New York. In dollar terms, Wall Street rose by 2.3 per cent over the week, as measured by *the Dow Jones Industrial* Average.

Investors in the UK were meanwhile restrained by continuing fears over inflation and interest rates although a better-than-expected response to worse-than-expected domestic trade figures, and takeover activity, helped the market 0.76 per cent higher.

That left the way clear for outperformance once again by the small fry. Austria reached all-time highs – jumping by almost 5 per cent in sterling terms – as foreign investors stepped up their buying.

Creditanstalt, the bank, was especially popular, and its estimated 15 per cent weighting in the bourse's capitalisation helped the whole market.

The sun continued to shine on Scandinavia where both Finland and Norway reached new peaks in their local indices. Finland surged by 4.7 per cent and Norway jumped by 4.4 per cent, with its gains fuelled by the firm oil price.

The Asia Pacific region produced the only losers among world equity markets. New Zealand was hardest hit, falling 1.3 per cent as investors followed the wagging tail of neighbouring Australia and sold stock down.

Australia lost 0.9 per cent on the week, hit by a weak bullion price

Europe as a whole rose by 1.4 per cent last week, as the corporate results season got underway.

Italy renewed its rally, rising 2.5 per cent on developments in the banking sector and optimism over government spending cuts.

MARKETS IN PERSPECTIVE

	% change in sterling †			
	1 Week	4 Weeks	1 Year	Start of '89
Austria	+4.99	+10.3	+35.35	+24.16
Belgium	+1.47	-0.54	+7.94	+2.69
Denmark	+2.61	+2.55	+62.06	+6.47
Finland	+4.70	+5.80	+32.61	+22.58
France	+2.12	+1.28	+56.16	+7.50
West Germany	+1.61	-1.36	+18.16	+0.85
Ireland	+0.52	-0.02	+27.72	+14.07
Italy	+2.45	+3.07	+15.25	+2.47
Netherlands	+2.20	+3.28	+21.52	+10.88
Norway	+4.35	+3.25	+57.04	+35.17
Spain	+1.67	+3.75	+8.30	+5.50
Sweden	+2.61	+3.80	+49.41	+17.04
Switzerland	+0.70	-2.14	+2.18	+1.69
UK	+0.76	-0.04	+19.91	+15.73
EUROPE	+1.39	+0.54	+21.64	+9.71
Australia	-0.85	-0.99	+30.25	+0.14
Hong Kong	-0.01	+0.29	+42.86	+21.60
Japan	+5.41	+1.03	+23.27	+5.70
Malaysia	+2.49	+7.00	+52.46	+21.36
New Zealand	-1.26	-3.82	+0.62	+8.74
Singapore	+1.36	+6.80	+49.45	+24.71
Canada	+2.54	+2.34	+22.98	+14.69
USA	+4.02	+2.02	+27.20	+13.68
Mexico	+1.22	+7.49	+28.43	+9.96
South Africa	+0.31	+9.44	+19.51	+27.61
WORLD INDEX	+3.91	+1.28	+24.34	+9.24

†Based on March 31, 1989

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 31 1989					THURSDAY MARCH 30 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	134.91	−0.6	118.49	109.56	5.06	135.73	119.43	110.23	157.12	91.16	115.93
Austria (18)	111.15	+2.0	97.63	109.27	2.30	108.93	95.84	106.92	111.15	83.72	91.85
Belgium (63)	129.45	+0.1	113.70	127.21	4.10	129.30	113.77	126.59	139.89	99.14	134.14
Canada (124)	134.35	+0.5	118.00	116.11	3.30	133.66	117.60	115.51	137.27	107.06	122.19
Denmark (39)	169.27	+0.1	148.67	169.55	1.86	169.10	148.79	169.28	180.38	111.42	121.11
Finland (26)	149.70	+1.0	131.48	133.68	1.36	148.23	130.42	132.09	149.70	106.78	126.26
France (130)	115.39	+0.3	101.35	115.75	2.85	115.05	101.23	115.36	119.98	72.77	82.65
West Germany (102)	82.77	+0.5	72.69	81.50	2.33	82.37	72.48	81.07	90.40	67.78	78.35
Hong Kong (44)	126.86	+0.5	111.42	126.82	3.95	126.17	111.01	126.12	133.77	84.90	99.32
Ireland (17)	140.27	+0.4	123.20	140.52	3.63	139.75	122.96	139.60	146.46	104.60	122.83
Italy (98)	81.40	+0.0	71.49	84.43	2.42	81.38	71.60	84.36	86.88	62.99	79.00
Japan (456)	188.87	+0.8	165.89	158.13	0.48	187.43	164.92	157.28	200.11	133.61	171.38
Malaysia (36)	162.50	+0.4	142.73	172.20	2.72	161.78	142.35	172.00	162.50	107.83	119.22
Mexico (13)	166.05	+0.2	145.84	435.90	1.17	165.72	145.82	434.14	182.24	90.07	144.61
Netherland (39)	116.30	+0.4	102.14	113.38	4.51	115.78	101.87	112.82	117.71	95.23	107.03
New Zealand (24)	68.58	−1.6	60.24	59.26	6.65	69.68	61.31	60.16	84.05	63.32	76.24
Norway (26)	175.23	+1.4	153.91	163.58	1.76	172.85	152.09	160.95	175.23	98.55	124.81
Singapore (26)	145.59	−0.4	127.87	131.57	2.07	146.15	128.60	131.94	147.64	97.32	108.96
South Africa (60)	139.13	−0.6	122.20	126.72	3.99	139.97	123.15	126.69	142.88	98.26	130.21
Spain (42)	146.08	+0.2	128.30	130.70	3.70	145.80	128.28	130.00	164.47	130.73	150.87
Sweden (35)	157.92	+0.1	138.70	150.38	2.28	157.75	138.80	150.46	158.38	96.92	118.22
Switzerland (57)	74.08	−0.2	65.07	76.29	2.38	74.23	65.31	76.07	86.75	74.05	81.09
United Kingdom (314)	146.14	+1.3	128.35	128.35	4.36	144.29	126.95	126.95	153.33	120.66	136.31
USA (565)	120.06	+0.8	105.45	120.06	3.65	119.17	104.85	119.17	121.90	99.19	105.57
Europe (1006)	117.42	+0.7	103.13	109.98	3.55	116.57	102.56	109.19	120.88	97.01	108.00
Nordic (126)	150.23	+0.3	131.95	148.79	1.98	149.75	131.76	148.30	150.23	95.22	111.55
Pacific Basin (675)	184.07	+0.7	161.67	154.64	0.69	182.77	160.81	153.88	194.72	130.81	166.37
Euro-Pacific (1681)	157.41	+0.7	138.26	136.85	1.56	156.29	137.52	136.08	164.22	120.36	143.03
North America (689)	120.82	+0.7	106.12	119.85	3.63	119.93	105.53	118.97	122.71	99.78	106.46
Europe Ex. UK (692)	99.63	+0.3	87.51	98.60	2.89	99.36	87.42	98.20	103.11	80.28	90.43
Pacific Ex. Japan (219)	126.58	−0.2	111.17	110.83	4.51	126.88	111.64	111.09	137.65	87.51	105.93
World Ex. US (1878)	156.43	+0.7	137.40	136.18	1.63	155.34	136.68	135.43	162.77	120.26	142.19
World Ex. UK (2129)	141.98	+0.7	124.70	130.96	2.03	141.05	124.11	130.22	146.04	111.77	127.26
World Ex. So. Af. (2383)	142.36	+0.7	125.04	130.74	2.24	141.33	124.36	129.93	146.65	113.26	128.04
World Ex. Japan (1987)	120.02	+0.7	105.41	116.40	3.64	119.21	104.89	115.62	122.37	100.00	107.26
The World Index (2443)	142.34	+0.7	125.02	130.70	2.25	141.32	124.35	129.90	146.51	113.37	128.05

Amendments to indices for March 31 applied to Australia and Pacific Ex.Japan.
Constituent changes: The market capitalisations of Malayan Banking (Malaysia) and Neptune Orient Lines (Singapore) have been adjusted to reflect changes in foreign investibility factors.
Latest prices were unavailable for this edition.